

Ohio Office of Budget
and Management

State of Ohio
Bob Taft
Governor



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2003

ACKNOWLEDGMENTS

Report prepared by the
Ohio Office of Budget and Management,
State Accounting Division, Financial Reporting Section:

Jane A. Snipes, CPA
Financial Reporting Manager
Bradley J. Beaver
Dana E. Carr
Kristal S. Foster
Andrea E. Joffe, CPA (Inactive)
Doris M. Lee
Randall E. Miller, CPA
Mary J. Wehner, CPA
Kris Weldy

Special appreciation is given to all fiscal and accounting personnel throughout the State whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

BOB TAFT
GOVERNOR

Thomas W. Johnson
Director
Office of Budget
and Management

David L. White
Deputy Director
Division of
State Accounting

Prepared by Division of
State Accounting



OHIO

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FOR THE FISCAL YEAR
ENDED JUNE 30, 2003

STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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INTRODUCTORY SECTION



December 12, 2003

To the Governor, the Honorable Members of the General Assembly, and the Citizens of Ohio:

It is my privilege to issue the *Ohio Comprehensive Annual Financial Report* (CAFR) on the financial condition of the State of Ohio for the fiscal year ended June 30, 2003. The report is prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Ohio Office of Budget and Management pursuant to Section 126.21, Ohio Revised Code, which requires that an official financial report of the State be issued annually, prepared this report. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations.

The Office of Budget and Management is responsible for the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The State's basic financial statements include all funds that comprise the State's legal entity or primary government. The State's reporting entity is also comprised of its component units for which the elected officials of the State's primary government are financially accountable. We followed the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, to determine the organizations for which the State is financially accountable. NOTE 1A. to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The CAFR includes the following: introductory section; financial section that presents the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, combining financial statements, supporting schedules, and fund descriptions; and a statistical section that presents financial, economic, and demographic data for Ohio.

The MD&A, which is required under GAAP to accompany the basic financial statements, provides a narrative, introduction, overview, and analysis.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

INDEPENDENT AUDIT RESULTS

The basic financial statements have been audited by the Office of the Auditor of State. The outcome of the audit conducted by the Auditor of State, in accordance with generally accepted auditing standards, was an unqualified auditors' report. This opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in conformity with GAAP.

PROFILE OF THE GOVERNMENT

The State of Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government — executive, legislative, and judicial.

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. More than 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with three judicial and five legislative agencies. An organizational chart of state government can be found on page 12.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General As-

sembly are subject to term-limits; senators are restricted to serving two four-year terms, and representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Along with the establishment of our state governmental structure, the Constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years – a biennium –, which begins on July 1 of odd-numbered years and ends 24 months later on June 30.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, liquor control, and other business-type activities.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

In fiscal year 1992, an executive order initiated the Internal Accounting Control Program (IACP). The IACP establishes written guidelines for state agencies to follow during periodic management reviews of their accounting operations. Under the program, agencies are required to formally establish, maintain, and annually evaluate and report on internal accounting control.

The State's Central Accounting System (CAS) achieves budgetary control over the various accounts of the State's funds. The General Assembly, authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. The Office of Budget and Management uses the CAS to control departmental obligation and expenditure ac-

tivity to ensure authorized appropriations are not exceeded.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major special revenue funds, these comparisons are presented as part of the basic financial statements. For other budgeted governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the nonmajor governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The CAS maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the CAS for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

CASH MANAGEMENT

In Ohio, with the exception of certain organizations within the State's reporting entity that have independent powers to manage and invest their funds, the Treasurer of State is responsible for investing the State's cash and investments pool. During fiscal year 2003, cash management and investment transactions made by the Treasurer of State's Office, in accordance with the Uniform Depository Act, were limited to checking accounts and certificates of deposit with qualified public depositories, U.S. gov-

ernment and agency obligations, commercial paper, repurchase agreements, bankers' acceptances, bonds of foreign nations diplomatically recognized by the United States, and security lending agreements. Legal requirements for the investment of funds maintained in the State's cash and investments pool are discussed in NOTE 4 to the financial statements.

Quarterly, the Office of Budget and Management allocates the investment income earned on the cash and investments pool to the various funds designated by law to receive the earnings. The allocation is calculated in accordance with a formula based on average daily cash balances invested over the quarter. The Ohio Lottery Commission's investment portfolio, which is dedicated to the payment of deferred lottery prizes and is accounted for as part of the cash and investments pool, however, is not part of the investment earnings allocation just described. Instead, the Treasurer of State credits the investment earnings from the dedicated portfolio directly to the credit of the fund that accounts for this activity.

RETIREMENT SYSTEMS

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

RISK MANAGEMENT

As discussed in NOTE 10. to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health and United Healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

ECONOMIC OVERVIEW AND OUTLOOK

The economic outlook for the U.S. improved markedly during the second half of 2003, with solid gains in most of the economic indicators. The economic recovery that faltered at the onset of war with Iraq is now gathering momentum. The signs of acceleration in economic growth are now unmistakable, as the effects of a prolonged monetary and fiscal stimulus are finally taking hold. Between gains from mortgage refinancing and federal tax cuts, consumers are boosting both their spending and their savings.

Following a 1.4 percent annual growth rate in the first quarter of this year, the economy expanded at an annual rate of 3.3 percent in the second quarter. The consensus is that the U.S. economy has further upside strength in the second half of the year and is likely to grow at an annual rate of 3.5 to 4.5 percent during that time.

Consumer spending, which constitutes about two-thirds of the economic activity in the U.S., continues to be the main driver of economic growth. American consumers have kept their spending strong through the summer quarter. Helped by the federal tax cuts and the last batch of gains from mortgage refinancing, July spending was revised up sharply, and August saw another healthy across-the-board increase. The pace of gains appears to have slowed in September, but third-quarter growth of consumer spending will be over an annual rate of six percent.

While the economy has been showing some real signs of near-term recovery, the corporate sector continues to be very conservative in regard to business-related expenditures, such as investments on technology and production facilities. Most companies have gone through a very painful period of major layoffs and cost cutting in every area of their operations. In fact, these cost-cutting processes are continuing despite the brighter outlook for the economy, as corporations strive to improve productivity as a means to meet increased demand.

Although payroll employment increased in September for the first time since January, the labor market remains the exception to the more upbeat picture. However, there is tentative evidence of improvement ahead. Signals from leading indicators like unemployment insurance claims and temporary help services employment have raised hopes that job reports will soon show a modest increase. Productivity growth is very strong, a spectacular 6.8 percent annual rate in the second quarter, so that firms have not yet needed to take on new staff or even increase hours worked. Nonetheless, if the recovery is to be sustained, the economy needs to create jobs over the rest of the year.

The economic outlook for the State of Ohio is consistent with the forecast of a moderate economic recovery at the national level. Real gross domestic product, the total value of goods and services produced in the U.S. and adjusted for inflation, is expected to grow at an annual rate of 3.5 percent to 4.5 percent during the second half of 2003 and into 2004.

MAJOR INITIATIVES AND PROJECTS

In June 2003, the Governor signed Amended Substitute House Bill 95, which when combined with other legislation authorizing expenditures, provides approximately \$24 billion in fiscal year 2004 and \$24.8

billion in fiscal year 2005 in General Revenue Fund (GRF) dollars and \$48.9 billion in fiscal year 2004 and \$50.5 billion in fiscal year 2005 in all funds for the operating budget. The budget passed on time and is balanced, as required by the Ohio Constitution. This budget provides growth in just a few areas of state spending. More than 75 percent of the growth in state share funding is going to three primary areas, Medicaid, primary and secondary education, and higher education. The rest of the budget is experiencing very little growth. In fact, more than one half of the agencies funded by the GRF will receive fiscal year 2005 appropriations that are below actual fiscal year 2000 spending.

The budget provides zero growth for many programs, reduces and/or eliminates others, and consistent with collective bargaining, includes no increases in the base pay for state employees. The current budget will result in the closure of several institutions, including one adult correctional facility, one juvenile correctional facility, one regional juvenile parole office, and two mental retardation and developmental disabilities facilities. While this budget constrains the growth of state government, it will also put the state back on strong financial ground by providing for the deposit of \$100 million into the Budget Stabilization Fund to begin to rebuild the state's savings account for future economic downturns.

Over the past two years, the state has reduced spending from appropriated levels by nearly \$1 billion, reduced the workforce by more than 3,000 employees, and reduced or eliminated many government services. Agencies were asked to cut costs through reductions in payroll, greater reliance on non-GRF state funds and federal funds, and the elimination of programs.

Primary and Secondary Education

In the past several years, the State of Ohio has made significant investments to improve student outcomes. The success of these efforts has come through the collaboration and cooperation of parents, educators, community leaders, and policy makers. Ohio will continue to build on this success with a number of strategic investments in student success and accountability and in initiatives to improve teacher quality. Primary and secondary education will receive the largest share, 34.6 percent, of total state-only General Revenue Fund appropriations.

Governor's Blue Ribbon Task Force on Financing Student Success

In order to continue to improve how Ohio funds its primary and secondary schools, the Governor is asking leaders from education and business, policymakers, teachers and parents to come together and adopt a shared vision for school funding. The Governor's Blue Ribbon Task Force on Financing

Student Success will recommend a new funding methodology for public primary and secondary schools — one that provides predictable and stable funding for school districts, allocates resources with a view toward helping every child achieve academic success, is affordable within the context of the state's economy, and ensures that resources are spent efficiently and appropriately.

Ohio Supreme Court Case Update

In May 2003, the Ohio Supreme Court ruled that there was no continuing jurisdiction by the courts in the *DeRolph vs. Ohio* school funding court case. The ruling concluded that the duty to remedy the educational system lies with the General Assembly.

School Building Assistance

Governor Taft, through the Rebuild Ohio Plan, has proposed spending over \$10.2 billion in state funding, matched by \$12.9 billion local funding, in a 12-year plan to address the facility needs of all Ohio school districts. The plan will allow every Ohio school child to learn in safe, modern facilities and give school districts the capability to create customized classrooms and instruction tailored to meet students' needs.

Governor's Commission on Higher Education and the Economy

In his 2003 Inaugural Address, Governor Taft called for the creation of the Governor's Commission on Higher Education and the Economy. The Commission is charged with recommending ways to maximize public investment in higher education and ensuring that the needs of students, parents, and the business community are being met. The Commission will provide a roadmap for improving the quality and efficiency of Ohio's higher education system, broadening the use of technology, and determining how higher education can most effectively impact the state's economy. The Commission will evaluate the structure, organization, location, and governance of Ohio's higher education institutions and evaluate state expenditures on higher education. The 33-member commission brings together business, higher education and government leaders from throughout the state.

Medicaid Reform

As mentioned above, the Medicaid Program is one of the few areas to receive increased funding in the fiscal year 2004-2005 biennial budget. This program provides healthcare services to one in every eight Ohioans, including low-income children, pregnant women, elders, and people with disabilities. To address the rising costs of the Medicaid Program, the budget bill includes two different methods aimed at containing costs: 1) short-term strategies to reduce projected cost growth in fiscal years 2004 and 2005; and 2) long-term reform strategies to control the rate of growth over time. These strategies include:

- Restraining the expenditure growth rates for facility-based providers;
- Continuing implementation of Ohio's Medicaid Preferred Drug List and Supplemental Rebate Program;
- Reforming of the Disability Assistance Medical Program in order to limit expenditure growth; and
- Developing care management arrangements for high-cost populations.

Transportation Financing Plan

The transportation financing plan, enacted in the transportation budget bill, contains significant new revenues for highway construction. The plan increases the motor fuel tax by two cents per gallon per year for the next three years. The plan provides funding to continue the Ohio Department of Transportation's Major New Construction Program at a minimum level of \$250 million for 10 years and will provide additional revenue of approximately \$98.4 million for local governments' road and bridge projects. Another component of the plan includes a four-year, phase-out of funding that the Department of Public Safety receives from the motor fuel tax. New fees will replace the Department of Public Safety's receipts from the motor fuel tax. The phase-out will provide approximately \$194.4 million of newly available revenue to local governments. Once fully implemented, the plan provides additional road and bridge funding of approximately \$122.1 million annually for Ohio's cities, \$105.5 million annually for Ohio's counties, and \$65.3 million annually for Ohio's townships.

Third Frontier

The Third Frontier Project is the state's largest commitment ever to expanding Ohio's high-tech research capabilities and promoting start-up companies to build high-wage jobs for generations to come. The \$1.1 billion investment program currently has four components that are under way:

- The Third Frontier Action Fund will provide \$150 million over 10 years in grants to encourage the commercialization of new technologies and to foster a climate of entrepreneurship within Ohio;
- The Biomedical Research and Technology Transfer Program will provide \$350 million over 10 years with a focus on large collaborative projects intended to improve the health of Ohioans as well as to increase job and business opportunities;
- The Wright Brothers Capital Program will provide \$500 million over 10 years to build

Wright Centers of Innovation which will pair world-class research with commercialization designed to maximize the economic impact of the research investment; and

- The Innovation Ohio Fund, a \$100 million revolving loan fund, will help existing Ohio companies, as well as new companies, invest in capital assets for the purpose of developing new "next generation" commercial products.

An additional component of the Third Frontier Program was a \$500 million bond program. Voters defeated this constitutional initiative on November 4, 2003.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. This was the 13th consecutive year that the State has achieved this prestigious award.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ADDITIONAL INFORMATION

The Ohio Office of Budget and Management provides access to the fiscal year 2003 *Ohio Comprehensive Annual Financial Report*, fiscal year 2003 *Ohio Budgetary Financial Report*, and other State-related financial data and information on the Internet at <http://www.state.oh.us/obm/>.

ACKNOWLEDGMENTS

In conclusion, I wish to express my appreciation to the staffs of the various state agencies whose time and dedicated efforts made this report possible.

Sincerely,



Thomas W. Johnson
Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

STATE OF OHIO OFFICIALS

EXECUTIVE

Bob Taft
Governor

Jennette Bradley
Lieutenant Governor

Jim Petro
Attorney General

Betty Montgomery
Auditor of State

Joseph T. Deters
Treasurer of State

J. Kenneth Blackwell
Secretary of State

LEGISLATIVE

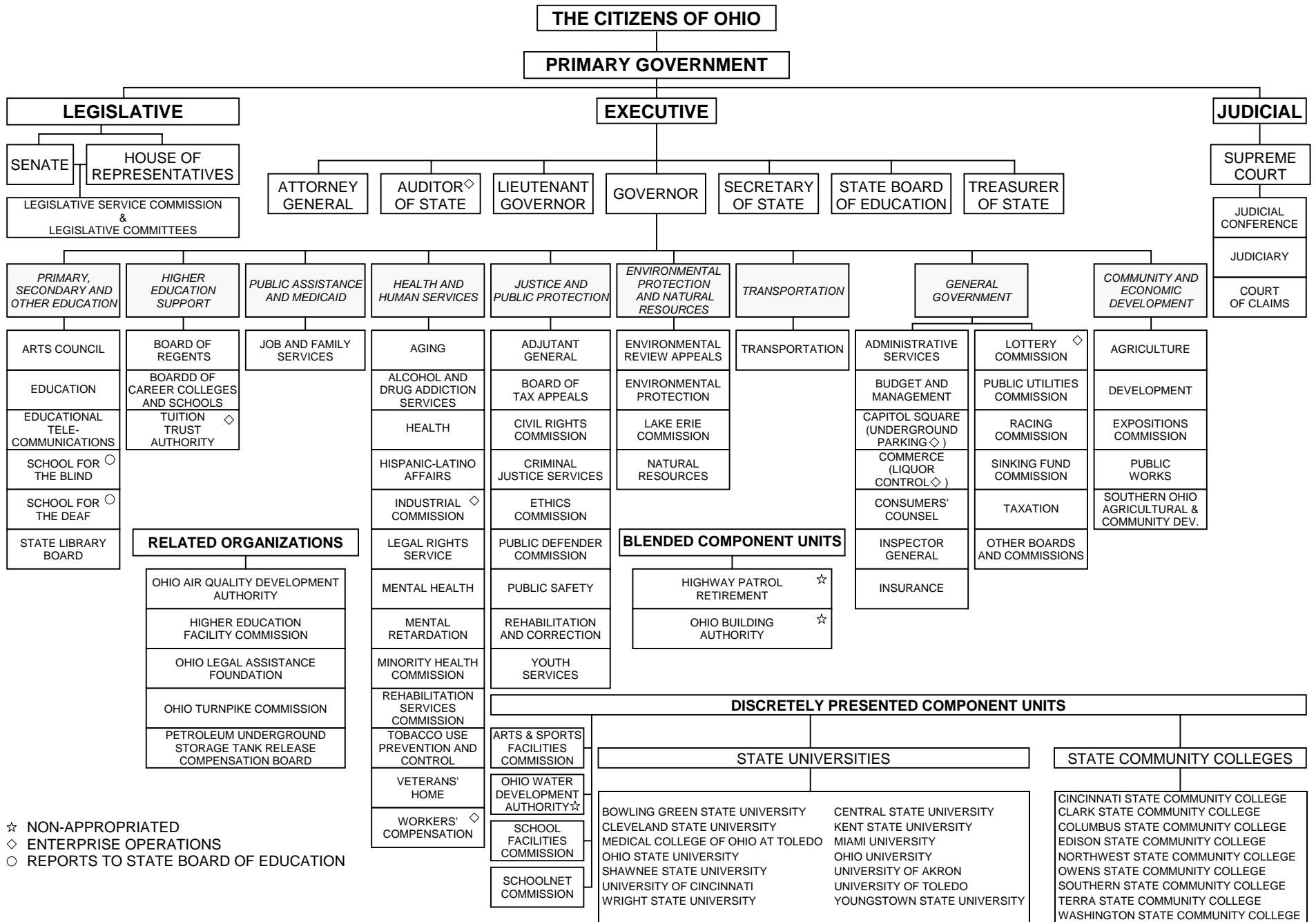
Doug White
President of the Senate

Larry Householder
Speaker of the House

JUDICIAL

Thomas J. Moyer
Chief Justice
Supreme Court

STATE OF OHIO ORGANIZATION CHART



FINANCIAL SECTION



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Bob Taft, Governor
State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following organizations:

Primary Government: Capitol Square Review and Advisory Board (Underground Parking Garage); Office of the Auditor of State; Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; Tobacco Use Prevention and Control Foundation; Office of Business Development; and Variable College Savings Plan.

Blended Component Units: Ohio Building Authority and State Highway Patrol Retirement System.

Discretely Presented Component Units: Bowling Green State University; Central State University; Cleveland State University; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; Youngstown State University; Cincinnati State Community College; Clark State Community College; Columbus State Community College; Edison State Community College; Northwest State Community College; Owens State Community College; Southern State Community College; Terra State Community College; Washington State Community College; and Medical College of Ohio at Toledo.

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Fire Pension Fund, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's Aggregate Remaining Fund Information. These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues / Additions
Governmental Activities	3%	0%
Business-Type Activities	88%	41%
Aggregate Discretely Presented Component Units	75%	90%
Aggregate Remaining Fund Information	96%	18%
Workers' Compensation	100%	100%
Ohio Building Authority	100%	100%
Underground Parking Garage	100%	100%
Office of Auditor of State	100%	100%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these independently audited organizations is based on the reports of the other auditors.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

The Honorable Bob Taft, Governor

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio as of June 30, 2003, and respective changes in financial position and cash flows, where applicable, and respective budgetary comparisons for the general and major special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2003, the State of Ohio changed its method of accounting for certain workers' compensation self-insurance liabilities.

The Management's Discussion and Analysis and Infrastructure Assets Accounted for Using the Modified Approach, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We and the other auditors subjected the combining fund statements and individual fund schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit and the reports of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BETTY MONTGOMERY
Auditor of State

December 12, 2003

State of Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

(Unaudited)

Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2003. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

Financial Highlights

Government-wide Financial Statements

Net assets of the State's primary government reported in the amount of \$18.6 billion, as of June 30, 2003, decreased \$2.8 billion since the previous year. Net assets of the State's component units reported in the amount of \$8.8 billion, as of June 30, 2003, decreased \$447.9 million since the end of last fiscal year.

Fund Financial Statements

Governmental funds reported combined ending fund balances of \$3.89 billion that was comprised of \$680.2 million reserved for specific purposes, such as for debt service, state and local government highway construction, and federal programs; \$5.11 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans, loan commitments, and inventories; \$3.9 million in designations for compensated absences; and a \$1.91 billion deficit.

As of June 30, 2003, the General Fund's fund balance was approximately \$192.8 million, including \$275.2 million reserved for specific purposes; \$319.8 million reserved for nonappropriable items; and a deficit of \$402.2 million. The General Fund's fund balance declined by \$569.5 million or 74.7 percent during fiscal year 2003. Despite weaker-than-expected tax revenue for fiscal year 2003, the General Fund ended the year with an overall positive fund balance. This was primarily due to reductions in budgeted spending for major programs other than Medicaid and Temporary Assistance to Needy Families, the availability of \$247.2 million for spending in fiscal year 2003 from resources designated for budget stabilization (also known as the "Rainy Day" Fund), various transfers-in from other funds, including a \$280.9 million transfer from the Tobacco Settlement Fund, and a \$193 million federal grant award under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Proprietary funds reported net assets of \$1.78 billion, as of June 30, 2003, a decrease of \$2.15 billion since June 30, 2002. Most of the net amount of the decline was due to the \$1.34 billion, \$625.7 million, and \$248.7 million net losses reported for the Workers' Compensation, Unemployment Compensation, and Tuition Trust Authority enterprise funds, respectively. The loss for the Workers' Compensation Enterprise Fund is attributable to \$640.6 million in premium dividend reductions and refund expenses, and benefits and claims expenses that exceeded premium and assessment income by \$1.19 billion. For the Unemployment Compensation Enterprise Fund, benefits and claims expenses of \$1.78 billion exceeded total operating and nonoperating revenues by approximately \$561 million. The Tuition Trust Authority's decline resulted from tuition benefit expenses exceeding income from the sale of tuition credits by \$270.6 million, due to an increase in tuition benefit expense as a result of high tuition growth during fiscal year 2003 and the estimated increase in the projected future tuition growth, combined with a decrease in unit sales compared with the unusually high sales in fiscal year 2002.

Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations:

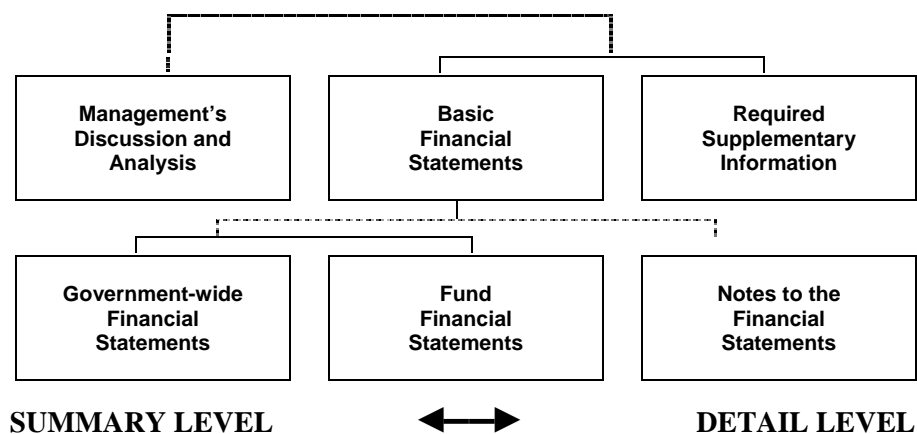
Overall, the total long-term debt for the State's primary government increased \$664.2 million or 7.7 percent during fiscal year 2003 to end the fiscal year with a reported balance of \$9.32 billion in long-term debt. During the year, the State issued \$1.61 billion in general obligation bonds, of which \$549.1 million (net of \$33.6 million in deep discounts at issuance) were refunding bonds, \$327.5 million in revenue bonds, of which \$142.5 million were refunding bonds, and \$602.3 million in special obligation bonds, of which \$442.3 million were refunding bonds. Changes in the primary government's long-term debt for fiscal year 2003 can be found in NOTE 15.

Overview of the Financial Statements

This annual report consists of management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds and the fiduciary funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State's nonmajor governmental funds.

Figure 1
Required Components of the
State of Ohio's Annual Financial Report



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State's operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State's general government services. Proprietary funds statements report on the activities, which the State operates like private-sector businesses. Fiduciary funds statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section also includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 64 through 125 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 128 and 129 of this report.

Figure 2 on the following page summarizes the major features of the State's financial statements.

Figure 2
Major Features of the State of Ohio's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses such as the workers' compensation insurance program, lottery, tuition credit program	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 32 through 35 of this report, are divided into three categories as follows.

Governmental Activities — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, and intergovernmental. Taxes, federal grants, charges for

services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

Business-type Activities — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insurance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

Component Units — The State presents the financial activities of the School Facilities Commission, Arts and Sports Facilities Commission, SchoolNet Commission, Ohio Water Development Authority, and 23 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants.

The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 14 special revenue funds, 22 debt service funds, and 10 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 42 governmental funds, which are classified as nonmajor funds, are combined into a single, aggregated presentation under a single column on the fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 36 through 47 of this report while the combining fund statements and schedules can be found on pages 131 through 191.

Proprietary Funds — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements applying the accrual basis of accounting and an economic resources focus. The eight enterprise funds, all of which are considered to be major funds, are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 48 through 55 of this report.

Fiduciary Funds — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 56 through 59 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets. During fiscal year 2003, as shown in the table on the following page, the combined net assets of the State's primary government decreased \$2.76 billion or 12.9 percent. Net assets reported for governmental activities decreased \$611.6 million or 3.5 percent and business-type activities decreased \$2.15 billion or 54.6 percent.

Condensed financial information derived from the Statement of Net Assets for the primary government follows.

**Primary Government
Statement of Net Assets
As of June 30, 2003
With Comparatives as of June 30, 2002
(dollars in thousands)**

	As of June 30, 2003			As of June 30, 2002 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:						
Current and Other Noncurrent Assets	\$10,288,456	\$24,213,259	\$34,501,715	\$10,955,148	\$25,655,009	\$36,610,157
Capital Assets	22,368,509	211,908	22,580,417	21,619,224	238,338	21,857,562
Total Assets	32,656,965	24,425,167	57,082,132	32,574,372	25,893,347	58,467,719
Liabilities:						
Current and Other Liabilities	6,101,273	3,836,997	9,938,270	6,115,123	4,489,351	10,604,474
Noncurrent Liabilities	9,695,277	18,805,672	28,500,949	8,987,221	17,473,966	26,461,187
Total Liabilities	15,796,550	22,642,669	38,439,219	15,102,344	21,963,317	37,065,661
Net Assets:						
Invested in Capital Assets, Net of Related Debt	19,261,553	19,827	19,281,380	18,653,976	24,197	18,678,173
Restricted	1,870,890	2,026,857	3,897,747	1,878,515	3,918,679	5,797,194
Unrestricted/(Deficit)	(4,272,028)	(264,186)	(4,536,214)	(3,060,463)	(12,846)	(3,073,309)
Total Net Assets	\$16,860,415	\$1,782,498	\$18,642,913	\$17,472,028	\$ 3,930,030	\$21,402,058

As of June 30, 2003, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was \$19.28 billion. Restricted net assets were approximately \$3.90 billion, resulting in a \$4.54 billion deficit. Net assets are restricted when constraints on their use are 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a \$4.27 billion deficit for governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$8.70 billion of outstanding general obligation and special obligation debt at June 30, 2003, \$5.21 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Assets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2003, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$383.6 million (see NOTE 14A.) and a \$774.2 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2003 and 2002 (as restated), follows.

**Primary Government
Statement of Activities
For the Fiscal Year Ended June 30, 2003
With Comparatives for the Fiscal Year Ended June 30, 2002 (as restated)**
(dollars in thousands)

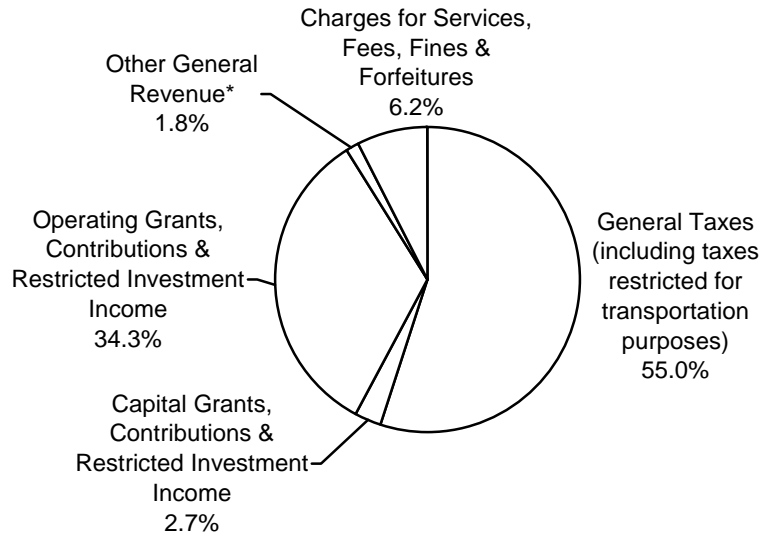
	Fiscal Year 2003			Fiscal Year 2002 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Revenues:						
Charges for Services, Fees, Fines and Forfeitures.....	\$ 2,176,902	\$ 4,989,469	\$ 7,166,371	\$ 2,282,572	\$ 5,766,327	\$ 8,048,899
Operating Grants, Contributions & Restricted Investment Income/(Loss)	11,911,301	1,895,246	13,806,547	11,230,106	(59,232)	11,170,874
Capital Grants, Contributions & Restricted Investment Income/(Loss)	930,497	956	931,453	942,200	—	942,200
Total Program Revenues	15,018,700	6,885,671	21,904,371	14,454,878	5,707,095	20,161,973
General Revenues:						
General Taxes	17,633,793	—	17,633,793	16,911,481	—	16,911,481
Taxes Restricted for Transportation	1,462,608	—	1,462,608	1,451,767	—	1,451,767
Tobacco Settlement.....	369,619	—	369,619	368,588	—	368,588
Escheat Property	43,173	—	43,173	50,745	—	50,745
Unrestricted Investment Income	5,285	29,726	35,011	72,262	—	72,262
Federal.....	193,033	44	193,077	—	346,891	346,891
Other.....	1,802	4,822	6,624	33	2,449	2,482
Total General Revenues	19,709,313	34,592	19,743,905	18,854,876	349,340	19,204,216
Total Revenues	34,728,013	6,920,263	41,648,276	33,309,754	6,056,435	39,366,189
Expenses:						
Primary, Secondary and Other Education	8,498,696	—	8,498,696	8,141,634	—	8,141,634
Higher Education Support.....	2,515,379	—	2,515,379	2,710,111	—	2,710,111
Public Assistance and Medicaid	12,683,617	—	12,683,617	11,953,033	—	11,953,033
Health and Human Services	2,930,071	—	2,930,071	2,847,339	—	2,847,339
Justice and Public Protection.....	2,435,774	—	2,435,774	2,451,328	—	2,451,328
Environmental Protection and Natural Resources.....	403,445	—	403,445	371,103	—	371,103
Transportation.....	1,532,040	—	1,532,040	1,507,932	—	1,507,932
General Government	486,013	—	486,013	762,725	—	762,725
Community and Economic Development	739,814	—	739,814	766,464	—	766,464
Intergovernmental.....	3,675,073	—	3,675,073	3,617,678	—	3,617,678
Interest on Long-Term Debt (excludes interest charged as program expense)	195,559	—	195,559	203,811	—	203,811
Workers' Compensation	—	4,088,796	4,088,796	—	4,565,493	4,565,493
Lottery Commission	—	1,523,764	1,523,764	—	1,467,203	1,467,203
Unemployment Compensation	—	1,838,949	1,838,949	—	1,660,148	1,660,148
Ohio Building Authority	—	30,824	30,824	—	33,724	33,724
Tuition Trust Authority.....	—	388,469	388,469	—	284,960	284,960
Liquor Control	—	354,547	354,547	—	339,294	339,294
Underground Parking Garage.....	—	2,515	2,515	—	2,336	2,336
Office of Auditor of State.....	—	84,087	84,087	—	78,302	78,302
Total Expenses	36,095,481	8,311,951	44,407,432	35,333,158	8,431,460	43,764,618
Deficiency Before Special Items & Transfers	(1,367,468)	(1,391,688)	(2,759,156)	(2,023,404)	(2,375,025)	(4,398,429)
Special Items	—	11	11	—	26	26
Transfers-Internal Activities	755,855	(755,855)	—	743,821	(743,821)	—
Change in Net Assets	(611,613)	(2,147,532)	(2,759,145)	(1,279,583)	(3,118,820)	(4,398,403)
Net Assets, July 1 (as restated).....	17,472,028	3,930,030	21,402,058	18,751,611	7,048,850	25,800,461
Net Assets, June 30.....	\$16,860,415	\$ 1,782,498	\$18,642,913	\$17,472,028	\$ 3,930,030	\$21,402,058

Governmental Activities

The \$611.6 million decrease in net assets during fiscal year 2003 primarily resulted from lower-than-expected tax revenues, while increased spending in the Primary, Secondary and Other Education, and the Public Assistance and Medicaid functions more than offset decreased spending levels in other State functions and required the State to spend \$247.2 million in resources, which had been designated for budget stabilization purposes, as of the end of fiscal year 2002. The State attributes most of the slow growth in tax revenues to a slowdown in the economy. Also, increased spending in the State's largest public assistance-related program, Medicaid, most likely resulted from a slowdown in the economy and overall increases in health care costs.

The following chart illustrates revenue sources of governmental activities as percentages of total revenues reported for the fiscal year ended June 30, 2003.

**Governmental Activities — Sources of Revenue
Fiscal Year 2003**

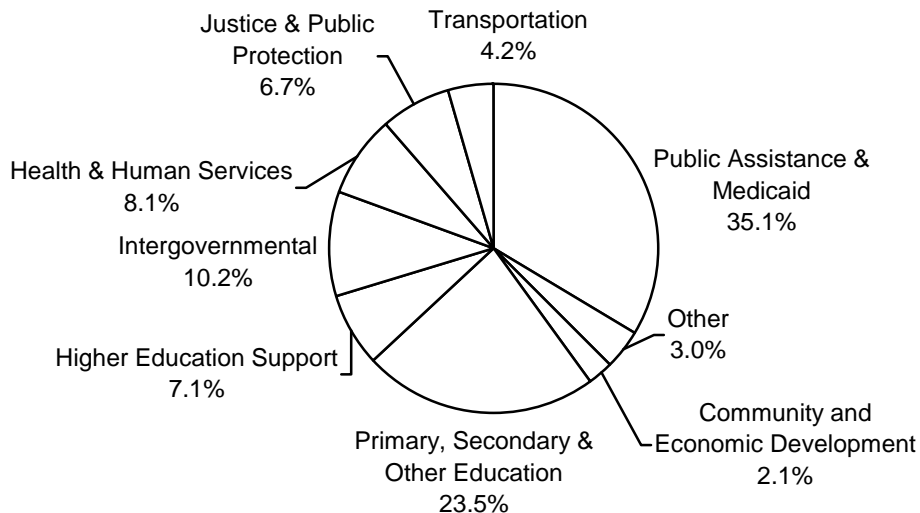


*Other General Revenue includes Tobacco Settlement, Escheat Property, Unrestricted Investment Income, Federal, and Other

Total FY 03 Revenue for Governmental Activities = \$34.73 Billion

The following chart illustrates expenses by program of governmental activities as percentages of total program expenses reported for the fiscal year ended June 30, 2003.

**Governmental Activities — Expenses by Program
Fiscal Year 2003**



Total FY 03 Program Expenses for Governmental Activities = \$36.10 Billion

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2003 and 2002 (as restated). The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, unrestricted investment income, and unrestricted federal revenue.

Program Expenses and Net Costs of Governmental Activities by Program
For the Fiscal Year Ended June 30, 2003
With Comparatives for the Fiscal Year Ended June 30, 2002 (as restated)
(dollars in thousands)

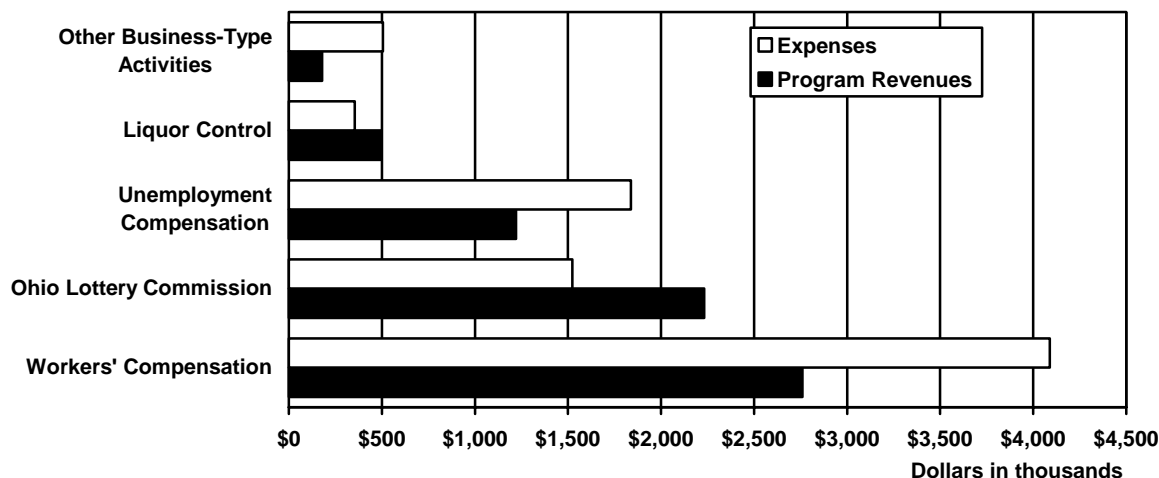
For the Fiscal Year Ended June 30, 2003				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education	\$ 8,498,696	\$ 7,234,432	85.1%	20.0%
Higher Education Support	2,515,379	2,491,806	99.1	6.9
Public Assistance and Medicaid.....	12,683,617	3,798,634	29.9	10.5
Health and Human Services	2,930,071	1,164,789	39.8	3.2
Justice and Public Protection	2,435,774	1,584,283	65.0	4.4
Environmental Protection and Natural Resources.....	403,445	179,562	44.5	0.5
Transportation	1,532,040	515,201	33.6	1.4
General Government.....	486,013	77,450	15.9	0.2
Community and Economic Development	739,814	159,992	21.6	0.5
Intergovernmental	3,675,073	3,675,073	100.0	10.2
Interest on Long-Term Debt	195,559	195,559	100.0	0.6
Total Governmental Activities	<u>\$36,095,481</u>	<u>\$21,076,781</u>	58.4	<u>58.4%</u>
For the Fiscal Year Ended June 30, 2002 (as restated)				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education	\$ 8,141,634	\$6,922,682	85.0%	19.6%
Higher Education Support	2,710,111	2,693,576	99.4	7.6
Public Assistance and Medicaid.....	11,953,033	3,633,295	30.4	10.3
Health and Human Services	2,847,339	1,255,820	44.1	3.6
Justice and Public Protection	2,451,328	1,579,888	64.5	4.5
Environmental Protection and Natural Resources.....	371,103	137,928	37.2	0.4
Transportation	1,507,932	455,452	30.2	1.3
General Government.....	762,725	224,047	29.4	0.6
Community and Economic Development	766,464	154,103	20.1	0.4
Intergovernmental	3,617,678	3,617,678	100.0	10.2
Interest on Long-Term Debt	203,811	203,811	100.0	.6
Total Governmental Activities	<u>\$35,333,158</u>	<u>\$20,878,280</u>	59.1	<u>59.1%</u>

Business-Type Activities

The State's enterprise funds reported net assets of \$1.78 billion, as of June 30, 2003, as compared to \$3.93 billion in net assets, as of June 30, 2002. These results were caused in part by the Workers' Compensation Fund, which reported net assets of \$552.4 million, as of June 30, 2003, as compared to \$1.89 billion in net assets, as of June 30, 2002, a 70.8 percent decrease. Also contributing to the decline in business-type activities was the Un-

employment Compensation Fund, which reported net assets of \$1.29 billion, as of June 30, 2003, as compared to \$1.91 billion, a 32.7 percent decrease since June 30, 2002. Finally, the Tuition Trust Authority Fund reported a net assets deficit of \$319 million at June 30, 2003, as compared to a net assets deficit of \$70.3 million at June 30, 2002, a 353.8 percent decrease in net assets. The chart below compares program expenses and program revenues for business-type activities.

Business-Type Activities — Expenses and Program Revenues Fiscal Year 2003



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2003 and June 30, 2002 (dollars in thousands).

	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
<i>As of and for the Fiscal Year Ended June 30, 2003:</i>				
Unreserved/Undesignated				
Fund Balance (Deficit)	\$ (402,238)	\$(1,685,904)	\$ 175,701	\$(1,912,441)
Designated Fund Balance	—	—	3,941	3,941
Total Fund Balance	192,787	1,033,826	2,660,290	3,886,903
Total Revenues	21,748,682	9,936,211	3,115,188	34,800,081
Total Expenditures	22,428,880	10,135,171	5,122,383	37,686,434
<i>As of and for the Fiscal Year Ended June 30, 2002 (as restated):</i>				
Unreserved/Undesignated				
Fund Balance (Deficit)	\$ —	\$(1,100,447)	\$ 180,380	\$(920,067)
Designated Fund Balance	206,214	—	2,487	208,701
Total Fund Balance	762,250	1,208,810	2,557,631	4,528,691
Total Revenues	20,504,274	9,626,312	2,999,212	33,129,798
Total Expenditures	21,897,458	9,736,767	5,045,933	36,680,158

General Fund

Fund balance for the General Fund, the main operating fund of the State, had decreased by \$569.5 million during the current fiscal year. Key factors for the decline were lower personal income tax collections resulting from a slowdown in the economy and mandated spending increases in the Medicaid Program and for primary and secondary education, which were largely due to changes in funding methods prompted by the DeRolph court case.

General Fund Budgetary Highlights

The State ended the second year of its biennial budget period on June 30, 2003 with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$537 million. Total budgetary sources for the General Fund (including \$434.4 million in transfers from other funds) in the amount of \$23.4 billion were below final estimates by \$252.4 million or 1.1 percent during fiscal year 2003, while total tax receipts were below final estimates by \$47.7

million or 0.3 percent. In fiscal year 2003 the State raised the cigarette tax, and as a result, cigarette tax revenue in fiscal year 2003 was \$600 million as compared to \$281.3 million for fiscal year 2002, a 113.3 percent increase. The State also received a \$193 million federal grant award under the Jobs and Growth Tax Relief Reconciliation Act of 2003, which was deposited into the General Fund.

The weaker-than-expected revenue picture primarily resulted from lower-than-anticipated receipts from personal income tax. Total budgetary uses for the General Fund (including \$47.4 million in transfers to other funds) in the amount of \$24.3 billion were below final estimates by \$908.4 million or 3.6 percent for fiscal year 2003.

Additionally, with legislative authorization, OBM made the following significant resource reallocations to fill the existing gap between actual spending and actual revenues caused by revenue shortfalls during fiscal year 2003:

- \$247.2 million, which had been designated in the General Fund for budget stabilization purposes, was reallocated for spending. While there was \$180.7 million remaining at June 30, 2003 for future budget stabilization purposes, there was no designation of fund balance in the General Fund for budget stabilization purposes on a GAAP basis, since the State's reported designation for budget stabilization could not exceed the amount of residual fund balance that remained after the posting of reserves for specific purposes and nonappropriable items.
- \$280.9 million from tobacco settlement revenues was transferred to the General Fund, as authorized under legislation.

On July 1, 2002, the Governor issued an executive order directing a total of approximately \$375 million in the General Revenue Fund (GRF) spending cutbacks for fiscal year 2003 (based on prior appropriations) by agencies and departments in his administration, as well as limitations on hiring, travel, and major purchases. The GRF is the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund. This cutback order reflected and was consistent with prior budget balancing discussions between the Governor and General Assembly. Annual cutbacks ranged generally from 7.5 to 15 percent, with allocation of amounts and manners determined by the Director of the Ohio Office of Budget and Management (OBM) in consultation with the affected agencies and departments. Excluded from those cutbacks were elementary and secondary education, higher education, alcohol and drug addiction services, and the adjutant general. Also expressly excluded were appropriations for debt service including lease rental contracts, and all state office building rent, and ad valorem property tax relief payments (made to local taxing entities).

Based on continuing reduced revenue collections (particularly, personal income taxes and sales tax receipts for the holidays) and projected additional Medicaid spending of \$40 million, OBM in late January announced an additional GRF shortfall of \$720 million for fiscal year 2003. The Governor ordered immediate additional reductions in appropriations spending intended to generate an estimated \$121.6 million of GRF savings through the end of the fiscal year (expressly excepted were appropriations for or relating to debt service on State obligations). The Governor also proposed for the General Assembly's prompt consideration the following additional revenue enhancements, transfers and expenditure reductions for fiscal year 2003 requiring legislative authorization to achieve the indicated financial effects as estimated by OBM:

- A 2.5-percent reduction in local government fund distributions to most subdivisions and local libraries, producing an estimated \$30 million in savings. This reduction is in addition to the prior local government fund distribution adjustments noted below.
- Transfers to the GRF from unclaimed funds (\$35 million) and various other funds (\$21.4 million).
- A one-month acceleration in sales tax collections by vendors filing electronically, to produce \$286 million.
- An additional increase in the cigarette tax of 45 cents per pack (to a total of \$1.00 a pack), to produce approximately \$140 million.
- A doubling of the current taxes on spirituous liquor and beer and wine, to net an additional \$18.7 million.

The Governor proposed enactment of these legislative authorizations by March 1, 2003 in order to produce the indicated financial effects by the June 30 end of the fiscal year and biennium. The General Assembly gave its final approval on February 25 to legislation authorizing the first three elements (see above) of the Governor's proposal, but that legislation did not include the proposed additional taxes on cigarettes and spirituous liquor and beer and wine.

OBM projected at the time that the Governor's proposal to the General Assembly and the additional expenditure reductions ordered by the Governor in January, coupled with the previously authorized reallocation of the then

available moneys designated for budget stabilization purposes to the GRF, would result in a positive GRF budgetary fund balance at June 30, 2003. To offset the General Assembly's enactment of legislation that did not include the proposed additional taxes on cigarettes and liquor, beer and wine, the Governor on March 25 ordered additional reductions in GRF appropriations spending aggregating \$142.5 million for the balance of fiscal year 2003. Included were reductions (generally at an annualized rate of 2.5 percent) of \$90.6 million in State foundation and parity aid to school districts and an additional \$9.3 million in Department of Education administration spending, \$39.2 million in instructional support to higher education institutions, and other selected reductions totaling \$3.4 million. The Governor also identified approximately \$20 million in excess food stamp administration funds available to offset the need for further expenditure reductions. Expressly excepted from those reductions were appropriations for or relating to debt service on state obligations.

Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2004-05 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2003. Those estimates revised fiscal year 2003 revenues downward by an additional \$200 million over OBM's January 2003 adjusted baseline, based primarily on updated income and sales tax receipts through May 31, 2003. The Governor and OBM addressed this additional fiscal year 2003 revenue shortfall through additional expenditure controls and by drawing upon \$193 million of federal block grant aid made available to the State prior to June 30 under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, which became effective on May 28, 2003.

Additional appropriations actions during the biennium, affecting most subdivisions and local libraries in the State, relate to the various local government assistance funds. The original appropriations act capped the amount to be distributed in fiscal years 2002 and 2003 to essentially the equivalent monthly payment amounts in fiscal years 2000 and 2001. Subsequent legislation amended the level to the lesser of those prior fiscal year amounts or the amount that would have been distributed under the standard formula.

Other Major Governmental Funds

Fund balance for the Job, Family and Other Human Services Fund, as of June 30, 2003, totaled \$289.0 million, an increase of \$68.4 million since June 30, 2002. Revenues exceeded expenditures by \$83.1 million, and of the excess of revenues over expenditures, \$14.7 million in net transfers-out were made to other funds.

Fund balance for the Education Fund, as of June 30, 2003, totaled \$22.6 million, a decrease of \$6.2 million since June 30, 2002. Fiscal year 2003 net transfers-in for the fund in the amount of \$616.6 million was not enough to cover the excess of expenditures over revenues reported for the fund in the amount of \$622.8 million.

Fund balance for the Highway Operating Fund, as of June 30, 2003, totaled \$615.7 million, a decrease of \$225.1 million since June 30, 2002. The decline was caused by increased transportation spending of \$1.91 billion for fiscal year 2003 compared with \$1.86 billion during the previous fiscal year, a decline in the fund's revenues from \$1.46 billion in fiscal year 2002 to \$1.44 billion in fiscal year 2003, and a slight decline in net transfers-in for fiscal year 2003 of \$7.3 million when compared to fiscal year 2002 results.

Fund balance for the Revenue Distribution Fund, as of June 30, 2003, totaled \$106.6 million, a decrease of \$12.2 million since June 30, 2002. Fiscal year 2003 net transfers-out to other governmental funds of \$825.9 million were higher than the \$731.3 million transfers-out reported for fiscal year 2002, thus causing the decrease in fund balance.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

For the Workers' Compensation Fund, the decrease in net assets was primarily due to premium reductions and refund expenses of \$640.6 million, and benefits and claims expenses of \$3.36 billion exceeded total operating and nonoperating revenues by approximately \$601.2 million.

The Workers Compensation Oversight Commission approved a one-time 75-percent premium reduction for Ohio private employers for the policy period July 1, 2002 through December 31, 2002, which produced estimated savings of \$600 million to these employers. The Oversight Commission also approved a one-time 50-percent premium reduction for public taxing district employers for their policy year beginning January 1, 2002, which was expected to produce estimated savings of \$144 million to these employers through December 31, 2002, with \$72 million of the estimated premium reduction reflected in premium reduction and refund expenses in fiscal year 2003.

Workers' compensation benefits and claims expenses were \$3.36 billion in fiscal year 2003 as compared to \$2.93 billion in fiscal year 2002. The increase in workers' compensation benefits is due in part to increased utilization of medical services and medical cost inflation. A continuing decline in the number of newly awarded permanent total disability claims has helped to reduce the impact of the increased medical costs.

The Bureau of Workers' Compensation Fund experienced net investment income of \$575.4 million, compared to a loss on investment income of \$430.1 million reported in the previous fiscal year. The increase in investment income was primarily attributable to an increase of \$43 million in the fair value of the investment portfolio in fiscal year 2003, compared to a \$1.1 billion decline in fair value during fiscal year 2002.

The Unemployment Compensation Enterprise Fund reported a net loss of \$625.7 million during fiscal year 2003. Unemployment benefits and claims expenses of \$1.78 billion exceeded total operating and nonoperating revenues by approximately \$560.9 million. Investment income for the fund during fiscal year 2003 was \$93.0 million, down \$32.1 million or 25.6 percent from fiscal year 2002. The fund's net loss resulted despite the deposit of an additional \$326.9 million in federal funds received during fiscal year 2003 for the payment of extended unemployment benefits to laid-off workers in Ohio for an additional 13 weeks.

For the Tuition Trust Authority Fund, the \$318.9 million deficit, as of June 30, 2003, resulted when the fund reported a net loss of \$248.7 million for fiscal year 2003. By June 30, 2003, tuition benefits payable had dramatically increased because of the estimated increase in future tuition growth. Although the Authority had an increase in investment income of \$45.9 million compared to fiscal year 2002, the decrease in sale of tuition units and an increase in tuition benefit expense greatly contributed to the net loss. In fiscal year 2003, the Authority had sales of \$110.7 million, a decrease of \$55.6 million, or 33.4 percent, compared to fiscal year 2002. Tuition benefit expense was \$381.2 million, an increase of \$102.5 million, or 36.8 percent, over tuition benefit expense for fiscal year 2002.

The Lottery Commission Fund reported approximately \$708.2 million in income before transfers of \$641.4 million and \$189 thousand to the Education and General funds, respectively, posting a \$66.6 million gain in the fund's net assets during fiscal year 2003. The Liquor Control Fund reported a net gain of \$109 thousand after transferring \$115.0 million to the General Fund and \$23.5 million to other governmental funds. In fiscal year 2003, transfers from the proprietary funds to the governmental funds totaled \$826.5 million, up \$19.1 million or 2.4 percent when compared to the \$807.4 million in transfers-out reported for fiscal year 2002.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2003 and June 30, 2002, the State had invested \$22.58 billion and \$21.86 billion, net of accumulated depreciation of \$1.86 billion and \$1.71 billion, respectively, in a broad range of capital assets, as detailed in the table below.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2003
With Comparatives as of June 30, 2002
(dollars in thousands)

	As of June 30, 2003			As of June 30, 2002		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Land	\$ 1,530,958	\$ 12,631	\$1,543,589	\$ 1,479,858	\$ 12,631	\$1,492,489
Buildings	1,895,700	141,111	2,036,811	1,886,367	136,066	2,022,433
Land Improvements	110,112	18	110,130	87,207	19	87,226
Machinery and Equipment	141,753	54,799	196,552	102,831	78,341	181,172
Vehicles	125,334	2,393	127,727	121,077	2,454	123,531
Infrastructure:						
Highway Network:						
General Subsystem	8,059,076	—	8,059,076	8,049,949	—	8,049,949
Priority Subsystem	6,570,628	—	6,570,628	6,351,727	—	6,351,727
Bridge Network	2,255,567	—	2,255,567	2,223,044	—	2,223,044
Parks, Recreation, and Natural Resources System	17,836	—	17,836	14,662	—	14,662
	20,706,964	210,952	20,917,916	20,316,722	229,511	20,546,233
Construction-in-Progress	1,661,545	956	1,662,501	1,302,502	8,827	1,311,329
Total Capital Assets, Net	\$22,368,509	\$211,908	\$22,580,417	\$21,619,224	\$238,338	\$21,857,562

During fiscal year 2003, the State recognized \$156.2 million in annual depreciation expense relative to its other general governmental capital assets as compared with \$152.8 million in depreciation expense recognized in fiscal year 2002.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2003 totaling approximately \$435 million, as compared with \$473.5 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 3.3 percent (a 3.5 percent increase for governmental activities and a 11.1 percent decrease for business-type activities). As further detailed in NOTE 19D. of the notes to the financial statements, the State had \$205.6 million in major construction commitments (unrelated to infrastructure), as of June 30, 2003, as compared with the \$227.9 million balance reported for June 30, 2002.

Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,527 in lane miles of highway (12,210 in lane miles for the priority highway subsystem and 30,317 in lane miles for the general highway subsystem) and approximately 80.6 million square feet of deck area that comprises more than 12,000 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, free-ways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2002, indicates that only 3.1 percent and 1.8 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For calendar year 2001, only 4.2 percent and 3.0 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2002, indicates that only 3.0 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively. For calendar year 2001, only 3.3 percent and .04 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively.

For calendar year 2002, total actual maintenance and preservation costs for the priority and general subsystems were \$273.8 million and \$209.5 million, respectively, compared to estimated costs of \$243.7 million for the priority system and \$135.1 million for the general system while total actual maintenance and preservation costs for the bridge network was \$229.1 million compared to estimated costs of \$180.4 million. For the previous calendar year, total actual maintenance and preservation costs for the priority and general subsystems were \$319.5 million and \$152 million, respectively, compared to estimated costs of \$251.2 million for the priority system and \$111 million for the general system while total actual maintenance and preservation costs for the bridge network was \$210.1 million compared to estimated costs of \$192.1 million.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations

As of June 30, 2003 and June 30, 2002, the State had total debt of \$9.32 billion and \$8.66 billion, respectively, as shown in the table below.

Bonds and Notes Payable and Certificates of Participation As of June 30, 2003 With Comparatives as of June 30, 2002 (dollars in thousands)

	As of June 30, 2003			As of June 30, 2002		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Bonds and Notes Payable:						
General Obligation Bonds	\$4,603,842	\$ —	\$4,603,842	\$3,771,129	\$ —	\$3,771,129
Revenue Bonds and Notes	450,598	167,310	617,908	297,638	190,723	488,361
Special Obligation Bonds	4,093,614	—	4,093,614	4,389,102	—	4,389,102
Certificates of Participation	7,370	—	7,370	9,900	—	9,900
Total Debt	<u>\$9,155,424</u>	<u>\$167,310</u>	<u>\$9,322,734</u>	<u>\$8,467,769</u>	<u>\$190,723</u>	<u>\$8,658,492</u>

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of the State, are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the OBA are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2003, the State issued \$1.61 billion in general obligation bonds, \$327.5 million in revenue bonds, and \$602.3 million in special obligation bonds, of which \$1.13 billion (net of \$33.6 million in deep discounts at issuance) were refunding bonds. The total increase in the State's debt obligations for the current fiscal year was 7.7 percent (an 8.1 percent increase for governmental activities and a 12.3 percent decrease for business-type activities).

Credit Ratings

Ohio's credit ratings for general obligation debt are Aa1 by Moody's Investors Service, Inc. (Moody's) and AA+ by Fitch Inc. (Fitch). Standard & Poor's Ratings Services (S&P) rates the State's general obligation debt AA+, except for Highway Capital Improvement Obligations, which are rated AAA.

State obligations (issued by the Ohio Building Authority and the Treasurer of State) secured by General Revenue Fund appropriations are rated Aa2 by Moody's and AA by S&P and Fitch.

On December 19, 2001, Moody's changed their "credit outlook" on the State from "stable" to "negative," while on July 9, 2003, S&P changed their "credit outlook" on the State from "negative" to "stable." The change in credit outlook is not a precursor to a rating change, but is an indication over the intermediate to longer term of a potential change.

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the OBA and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

Conditions Expected to Affect Future Operations

For the past three years, Ohio's economy has been in a recession that has been characterized by layoffs and falling corporate profits. However, the forecast for the State of Ohio's economy is for a moderate economic recovery similar to what is projected for the nation. Through the end of November 2003, actual tax revenues for fiscal year 2004 have been consistent with the Office of Budget and Management's projections for fiscal year 2004.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the General Revenue Fund (GRF). Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

The GRF appropriations bill for the fiscal year 2004-05 biennium (beginning July 1, 2003) was passed by the General Assembly on June 19, 2003 and promptly signed (with selective vetoes) by the Governor June 26. Necessary GRF debt service and lease-rental appropriations (for special obligation debt) for the entire biennium were requested in the Governor's proposed budget, incorporated in the related appropriations bill as introduced and in the bill's versions as passed by the House and the Senate, and in the Act as passed and signed. (The same is true for the separate Department of Transportation (DOT) and Bureau of Workers' Compensation (BWC) appropriations acts containing lease-rental appropriations for certain Ohio Building Authority-financed projects at DOT, BWC, and the Department of Public Safety.)

The Act provides for total GRF biennial expenditures of approximately \$48.8 billion. Those authorized GRF expenditures for fiscal year 2004 are approximately 5.8 percent higher than the actual fiscal year 2003 expenditures (taking into account fiscal year 2003 expenditure reductions), and for fiscal year 2005 are approximately 3.5 percent higher than for fiscal year 2004. The following are examples of increases in authorized GRF biennial expenditures compared with actual fiscal year 2002-03 expenditures in major program categories: primary and secondary education 5.1 percent; higher education 4.4 percent; mental health and mental retardation 4.1 percent; Medicaid 19.9 percent; and adult and juvenile corrections 5.7 percent.

The above expenditure levels reflect among other expenditure controls in the Act: Medicaid cost containment measures including pharmacy cost management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185 percent to 150 percent of the federal poverty level, and freezing certain reimbursement rates; no compensation increases for most state employees in fiscal year 2004 and limited one-time increases in fiscal year 2005; and continued limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in fiscal years 2000 and 2001 or the amount that would have been distributed under the standard formula.

The GRF expenditure authorizations for the biennium also reflect and are supported by revenue enhancement actions contained in the Act including:

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately \$1.25 billion in each fiscal year to which it applies.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care, and other services, and satellite television, projected in the aggregate to produce approximately \$69 million annually. (The inclusion of satellite television in the sales tax base, projected to produce approximately \$21 million annually, is subject to a legal challenge.)
- Movement of local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected to produce approximately \$29 million annually.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected to produce approximately \$64 million annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected in the aggregate to produce approximately \$35 million annually.

The Act also reflects the draw down during the biennium of an additional approximately \$582 million of federal block grant and Medicaid assistance aid made available to the State under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Contacting the Ohio Office of Budget and Management

This financial report is designed to provide the State's citizens, taxpayers, customers, and investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457.

BASIC FINANCIAL STATEMENTS

STATE OF OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2003
(dollars in thousands)

PRIMARY GOVERNMENT				
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer.....	\$ 4,167,693	\$ 49,504	\$ 4,217,197	\$ 331,171
Cash and Cash Equivalents.....	76,797	2,095,257	2,172,054	725,924
Investments.....	740,078	14,382,573	15,122,651	3,737,273
Collateral on Lent Securities.....	1,485,828	2,501,452	3,987,280	110,836
Deposit with Federal Government.....	—	1,190,542	1,190,542	—
Taxes Receivable.....	982,334	—	982,334	—
Intergovernmental Receivable.....	1,588,533	5,493	1,594,026	47,927
Premiums and				
Assessments Receivable.....	—	1,567,971	1,567,971	—
Investment Trade Receivable.....	—	381,989	381,989	—
Loans Receivable, Net.....	847,838	—	847,838	226,289
Receivable from Primary Government.....	—	—	—	26,074
Other Receivables.....	299,162	359,604	658,766	674,308
Inventories.....	43,508	29,043	72,551	46,758
Other Assets.....	56,685	13,493	70,178	341,967
Restricted Assets:				
Cash Equity with Treasurer.....	—	—	—	16,351
Cash and Cash Equivalents.....	—	1,891	1,891	90,428
Investments.....	—	1,634,447	1,634,447	1,154,874
Collateral on Lent Securities.....	—	—	—	5,485
Loans Receivable, Net.....	—	—	—	2,520,041
Capital Assets Being Depreciated, Net.....	2,235,203	198,321	2,433,524	5,449,732
Capital Assets Not Being Depreciated.....	20,133,306	13,587	20,146,893	1,013,106
TOTAL ASSETS.....	32,656,965	24,425,167	57,082,132	16,518,544
LIABILITIES:				
Accounts Payable.....	470,217	34,265	504,482	368,949
Accrued Liabilities.....	238,398	3,899	242,297	328,517
Medicaid Claims Payable.....	1,046,634	—	1,046,634	—
Obligations Under Securities Lending.....	1,485,828	2,501,452	3,987,280	116,321
Investment Trade Payable.....	—	1,990,631	1,990,631	—
Intergovernmental Payable.....	1,123,104	375	1,123,479	3,007
Internal Balances.....	782,195	(782,195)	—	—
Payable to Component Units.....	26,074	—	26,074	—
Deferred Revenue.....	156,662	2,017	158,679	184,759
Benefits Payable.....	—	13,148	13,148	—
Refund and Other Liabilities.....	772,161	73,405	845,566	95,758
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	865,004	3,730	868,734	543,430
Due in More Than One Year.....	8,283,050	163,580	8,446,630	3,204,039
Certificates of Participation:				
Due in One Year.....	890	—	890	1,070
Due in More Than One Year.....	6,480	—	6,480	7,740
Other Noncurrent Liabilities:				
Due in One Year.....	96,268	2,397,735	2,494,003	955,680
Due in More Than One Year.....	443,585	16,240,627	16,684,212	1,923,326
TOTAL LIABILITIES.....	15,796,550	22,642,669	38,439,219	7,732,596

The notes to the financial statements are an integral part of this statement.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS:				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt.....</i>	19,261,553	19,827	19,281,380	4,579,028
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	5,128	—	5,128	—
<i>Transportation and Highway Safety.....</i>	638,615	—	638,615	—
<i>State and Local Government</i>				
<i>Highway Construction.....</i>	124,022	—	124,022	—
<i>Federal Programs.....</i>	75,967	—	75,967	36
<i>Coal Research</i>				
<i>and Development Program.....</i>	8,488	—	8,488	—
<i>Clean Ohio Program.....</i>	79,457	—	79,457	—
<i>Debt Service.....</i>	—	—	—	1,838,858
<i>Intergovernmental and Capital Purposes..</i>	929,213	—	929,213	16,351
<i>Enterprise Bond Program.....</i>	10,000	—	10,000	—
<i>Workers' Compensation.....</i>	—	545,756	545,756	—
<i>Deferred Lottery Prizes.....</i>	—	169,822	169,822	—
<i>Unemployment Compensation.....</i>	—	1,286,679	1,286,679	—
<i>Ohio Building Authority.....</i>	—	24,600	24,600	—
<i>Nonexpendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,736,585
<i>Expendable for</i>				
<i>Colleges and Universities.....</i>	—	—	—	1,045,836
<i>Unrestricted/(Deficits).....</i>	(4,272,028)	(264,186)	(4,536,214)	(430,746)
TOTAL NET ASSETS.....	\$ 16,860,415	\$ 1,782,498	\$ 18,642,913	\$ 8,785,948

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

		PROGRAM REVENUES			
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
FUNCTIONS/PROGRAMS	EXPENSES				
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary					
and Other Education.....	\$ 8,498,696	65,651	\$ 1,198,613	\$ —	\$ (7,234,432)
Higher Education Support	2,515,379	3,164	20,409	—	(2,491,806)
Public Assistance and Medicaid	12,683,617	526,679	8,358,304	—	(3,798,634)
Health and Human Services	2,930,071	107,668	1,650,626	6,988	(1,164,789)
Justice and Public Protection	2,435,774	694,517	155,320	1,654	(1,584,283)
Environmental Protection					
and Natural Resources.....	403,445	152,501	70,293	1,089	(179,562)
Transportation	1,532,040	35,768	60,720	920,351	(515,201)
General Government	486,013	330,249	77,899	415	(77,450)
Community and Economic					
Development.....	739,814	260,705	319,117	—	(159,992)
Intergovernmental.....	3,675,073	—	—	—	(3,675,073)
Interest on Long-Term Debt					
(excludes interest charged as program expense).....	195,559	—	—	—	(195,559)
TOTAL GOVERNMENTAL ACTIVITIES	36,095,481	2,176,902	11,911,301	930,497	(21,076,781)
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation.....	4,088,796	2,184,192	575,402	—	(1,329,202)
Lottery Commission.....	1,523,764	2,083,108	148,797	—	708,141
Unemployment Compensation.....	1,838,949	50,634	1,170,969	—	(617,346)
Ohio Building Authority.....	30,824	27,358	30	—	(3,436)
Tuition Trust Authority.....	388,469	105,865	—	—	(282,604)
Liquor Control.....	354,547	493,195	—	—	138,648
Underground Parking Garage.....	2,515	2,526	48	956	1,015
Office of Auditor of State.....	84,087	42,591	—	—	(41,496)
TOTAL BUSINESS-TYPE ACTIVITIES...	8,311,951	4,989,469	1,895,246	956	(1,426,280)
TOTAL PRIMARY GOVERNMENT....	\$ 44,407,432	\$ 7,166,371	\$ 13,806,547	\$ 931,453	\$ (22,503,061)
COMPONENT UNITS:					
School Facilities Commission.....	\$ 1,440,939	\$ 16	\$ 34,697	\$ —	\$ (1,406,226)
Ohio Water Development Authority.....	92,337	122,319	109,889	—	139,871
Ohio State University.....	2,495,148	1,480,641	482,228	97,357	(434,922)
University of Cincinnati.....	785,917	283,560	223,852	7,609	(270,896)
Other Component Units.....	3,599,133	2,000,054	369,216	50,815	(1,179,048)
TOTAL COMPONENT UNITS.....	\$ 8,413,474	\$ 3,886,590	\$ 1,219,882	\$ 155,781	\$ (3,151,221)

The notes to the financial statements are an integral part of this statement.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET ASSETS:				
Net Expense.....	\$ (21,076,781)	\$ (1,426,280)	\$ (22,503,061)	\$ (3,151,221)
General Revenues:				
Taxes:				
Income.....	8,231,233	—	8,231,233	—
Sales.....	6,470,645	—	6,470,645	—
Corporate and Public Utility	1,682,945	—	1,682,945	—
Cigarette.....	599,943	—	599,943	—
Other.....	649,027	—	649,027	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,462,608	—	1,462,608	—
Total Taxes.....	19,096,401	—	19,096,401	—
Tobacco Settlement.....	369,619	—	369,619	—
Escheat Property.....	43,173	—	43,173	—
Unrestricted Investment Income.....	5,285	29,726	35,011	125,377
State Assistance	—	—	—	2,382,389
Federal.....	193,033	44	193,077	—
Other.....	1,802	4,822	6,624	45,124
Contributions.....	—	—	—	59,817
Special Items.....	—	11	11	90,147
Transfers-Internal Activities.....	755,855	(755,855)	—	—
TOTAL GENERAL REVENUES CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS.....	20,465,168	(721,252)	19,743,916	2,702,854
CHANGE IN NET ASSETS.....	(611,613)	(2,147,532)	(2,759,145)	(448,367)
NET ASSETS, JULY 1 (as restated).. NET ASSETS, JUNE 30.....	17,472,028 \$ 16,860,415	3,930,030 \$ 1,782,498	21,402,058 \$ 18,642,913	9,234,315 \$ 8,785,948

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003
(dollars in thousands)

MAJOR FUNDS			
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
ASSETS:			
Cash Equity with Treasurer	\$ 979,273	\$ 197,608	\$ 43,234
Cash and Cash Equivalents	11,799	5,654	437
Investments	195,724	28,791	4,039
Collateral on Lent Securities	350,946	72,599	15,333
Taxes Receivable	734,024	—	—
Intergovernmental Receivable	618,063	544,173	119,718
Loans Receivable, Net	24,754	—	8,980
Interfund Receivable	245,634	6	3
Other Receivables	227,121	41,812	1,142
Inventories	19,159	—	—
Other Assets	16,886	1,920	4,390
TOTAL ASSETS	\$ 3,423,383	\$ 892,563	\$ 197,276
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 111,740	\$ 44,704	\$ 3,408
Accrued Liabilities	83,079	9,952	1,228
Medicaid Claims Payable	1,046,634	—	—
Obligations Under Securities Lending	350,946	72,599	15,333
Intergovernmental Payable	286,726	233,144	78,654
Interfund Payable	560,554	15,012	3,033
Payable to Component Units	7,127	694	—
Deferred Revenue	104,209	218,207	73,064
Refund and Other Liabilities	675,540	9,276	—
Liability for Escheat Property	4,041	—	—
TOTAL LIABILITIES	3,230,596	603,588	174,720
FUND BALANCES:			
Reserved for:			
Debt Service	—	—	—
Encumbrances	276,566	1,202,707	66,333
Noncurrent Portion of Loans Receivable	24,134	—	8,423
Loan Commitments	—	—	—
Inventories	19,159	—	—
State and Local Highway Construction	—	—	—
Federal Programs	—	458	7,994
Other	275,166	33,914	203
Unreserved/Designated	—	—	—
Unreserved/Undesignated (Deficits):			
General Fund	(402,238)	—	—
Special Revenue Funds	—	(948,104)	(60,397)
Debt Service Funds	—	—	—
Capital Projects Funds	—	—	—
TOTAL FUND BALANCES	192,787	288,975	22,556
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 3,423,383	\$ 892,563	\$ 197,276

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 694,863	\$ 286,981	\$ 1,965,734	\$ 4,167,693
229	5,206	53,472	76,797
—	—	511,524	740,078
233,084	95,972	717,894	1,485,828
38,238	205,679	4,393	982,334
85,505	—	221,074	1,588,533
63,695	—	750,409	847,838
—	—	3,311	248,954
1,823	39	27,225	299,162
24,349	—	—	43,508
3,185	—	11,571	37,952
<u>\$ 1,144,971</u>	<u>\$ 593,877</u>	<u>\$ 4,266,607</u>	<u>\$ 10,518,677</u>

\$ 144,007	\$ —	\$ 166,358	\$ 470,217
15,802	—	28,829	138,890
—	—	—	1,046,634
233,084	95,972	717,894	1,485,828
3,758	302,454	218,368	1,123,104
94,662	56	357,832	1,031,149
137	—	17,604	25,562
37,832	18,400	88,147	539,859
—	70,389	11,285	766,490
—	—	—	4,041
<u>529,282</u>	<u>487,271</u>	<u>1,606,317</u>	<u>6,631,774</u>

—	—	115,101	115,101
1,190,108	—	1,426,043	4,161,757
58,034	—	734,395	824,986
—	—	84,956	84,956
24,349	—	—	43,508
—	124,022	—	124,022
—	—	62,142	70,594
3,185	—	58,011	370,479
—	—	3,941	3,941
—	—	—	(402,238)
(659,987)	(17,416)	433,591	(1,252,313)
—	—	(49)	(49)
—	—	(257,841)	(257,841)
<u>615,689</u>	<u>106,606</u>	<u>2,660,290</u>	<u>3,886,903</u>
<u>\$ 1,144,971</u>	<u>\$ 593,877</u>	<u>\$ 4,266,607</u>	<u>\$ 10,518,677</u>

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003
(dollars in thousands)

Total Fund Balances for Governmental Funds..... **\$ 3,886,903**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Infrastructure, net of \$727 accumulated depreciation.....	16,903,107
Land.....	1,530,958
Buildings and Improvements, net of \$1,125,318 accumulated depreciation.....	1,895,700
Land Improvements, net of \$115,784 accumulated depreciation.....	110,112
Machinery and Equipment, net of \$287,583 accumulated depreciation.....	141,753
Vehicles, net of \$104,917 accumulated depreciation.....	125,334
Construction-in-Progress.....	1,661,545
	<u>22,368,509</u>

Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

Taxes Receivable.....	108,458
Intergovernmental Receivable.....	266,970
Other Receivables:	
Accounts.....	6,912
Interest.....	857
	<u>383,197</u>

Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.

18,733

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

Accrued Liabilities:	
Interest Payable.....	(96,822)
Other	(2,686)
Payable to Component Units.....	(512)
Refund and Other Liabilities.....	(5,671)
Bonds and Notes Payable:	
General Obligation Bonds.....	(4,603,842)
Revenue Bonds.....	(450,598)
Special Obligation Bonds.....	(4,093,614)
Certificates of Participation.....	(7,370)
Other Noncurrent Liabilities:	
Compensated Absences.....	(383,636)
Capital Leases Payable.....	(4,888)
Litigation Liabilities.....	(10,000)
Liability for Escheat Property.....	(137,288)
	<u>(9,796,927)</u>

Total Net Assets of Governmental Activities..... **\$ 16,860,415**

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	EDUCATION
REVENUES:			
Income Taxes	\$ 7,374,239	\$ —	\$ —
Sales Taxes	6,153,743	—	—
Corporate and Public Utility Taxes	1,302,968	—	—
Motor Vehicle Fuel Taxes	—	—	—
Cigarette Taxes	599,941	—	—
Other Taxes	595,498	4,582	—
Licenses, Permits and Fees	115,199	424,294	791
Sales, Services and Charges	44,899	—	314
Federal Government	5,251,885	3,846,908	1,160,028
Tobacco Settlement	—	—	—
Escheat Property	84,642	—	—
Investment Income	33,095	10,584	3,568
Other	192,573	84,777	51,404
TOTAL REVENUES	21,748,682	4,371,145	1,216,105
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	6,646,595	135	1,799,514
Higher Education Support	2,096,533	649	18,292
Public Assistance and Medicaid	8,962,534	3,768,308	—
Health and Human Services	1,075,498	477,334	182
Justice and Public Protection	1,778,564	24,577	20,782
Environmental Protection and Natural Resources	115,971	—	—
Transportation	28,786	—	—
General Government	317,236	3,931	100
Community and Economic Development	110,066	4,911	—
INTERGOVERNMENTAL	1,294,797	—	—
CAPITAL OUTLAY	—	8,192	—
DEBT SERVICE	2,300	—	—
TOTAL EXPENDITURES	22,428,880	4,288,037	1,838,870
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	(680,198)	83,108	(622,765)
OTHER FINANCING SOURCES (USES):			
Bonds Issued	470,000	—	—
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	—	—	—
Bond Discounts	—	—	—
Capital Leases	2,692	—	—
Transfers-in	630,122	19,275	652,452
Transfers-out	(991,261)	(33,944)	(35,874)
TOTAL OTHER FINANCING SOURCES (USES)	111,553	(14,669)	616,578
NET CHANGE IN FUND BALANCES	(568,645)	68,439	(6,187)
FUND BALANCES, JULY 1 (as restated)	762,250	220,536	28,743
Increase (Decrease) for Changes in Inventories	(818)	—	—
FUND BALANCES, JUNE 30	\$ 192,787	\$ 288,975	\$ 22,556

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ —	\$ 829,840	\$ 6,051	\$ 8,210,130
—	301,263	15,637	6,470,643
—	366,275	13,700	1,682,943
370,092	1,047,119	45,397	1,462,608
—	—	2	599,943
—	11,252	37,695	649,027
70,772	351,965	601,408	1,564,429
2,048	22	40,345	87,628
954,797	—	1,757,095	12,970,713
—	—	369,619	369,619
—	—	—	84,642
16,414	1,149	56,782	121,592
25,889	64	171,457	526,164
<u>1,440,012</u>	<u>2,908,949</u>	<u>3,115,188</u>	<u>34,800,081</u>
—	—	4,920	8,451,164
—	—	292,585	2,408,059
—	—	306	12,731,148
—	—	1,341,307	2,894,321
—	—	524,309	2,348,232
—	—	253,148	369,119
1,913,070	—	184	1,942,040
—	—	180,699	501,966
—	—	603,111	718,088
—	2,095,194	183,236	3,573,227
—	—	489,874	498,066
—	—	1,248,704	1,251,004
<u>1,913,070</u>	<u>2,095,194</u>	<u>5,122,383</u>	<u>37,686,434</u>
<u>(473,058)</u>	<u>813,755</u>	<u>(2,007,195)</u>	<u>(2,886,353)</u>
—	—	935,000	1,405,000
—	—	1,025,040	1,025,040
—	—	(1,091,881)	(1,091,881)
—	—	188,952	188,952
—	—	(33,649)	(33,649)
—	—	699	3,391
524,079	1,786	1,423,283	3,250,997
(268,753)	(827,720)	(337,590)	(2,495,142)
<u>255,326</u>	<u>(825,934)</u>	<u>2,109,854</u>	<u>2,252,708</u>
<u>(217,732)</u>	<u>(12,179)</u>	<u>102,659</u>	<u>(633,645)</u>
840,746	118,785	2,557,631	4,528,691
(7,325)	—	—	(8,143)
<u>\$ 615,689</u>	<u>\$ 106,606</u>	<u>\$ 2,660,290</u>	<u>\$ 3,886,903</u>

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds.....	\$ (633,645)
Change in Inventories.....	(8,143)
	<u>(641,788)</u>

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	905,520	
Depreciation Expense.....	<u>(156,235)</u>	
Excess of Capital Outlay Over Depreciation Expense.....		<u>749,285</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

General Obligation Bonds.....	(1,060,000)	
Revenue Bonds.....	(185,000)	
Special Obligation Bonds.....	(160,000)	
Refunding Bonds, including Bond Premium/Discount, Net.....	<u>(1,162,494)</u>	
Premiums and Discounts, Net:		
Revenue Bonds.....	(14,367)	
Special Obligation Bonds.....	(3,482)	
Deferred Refunding Loss.....	<u>78,627</u>	
Total Bond Proceeds.....		<u>(2,506,716)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Debt Principal Retirement and Defeasements:		
General Obligation Bonds.....	853,200	
Revenue Bonds.....	43,380	
Special Obligation Bonds.....	919,029	
Certificates of Participation.....	2,530	
Capital Lease Payments.....	<u>(955)</u>	
Total Long-Term Debt Repayment.....		<u>1,817,184</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>(42,865)</u>
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The notes to the financial statements are an integral part of this statement.

Some expenses reported in the Statement of Activities are not reported as expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

<i>Increase in Bond Issue Costs Included in Other Assets.....</i>	12,126	
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	(8,163)	
<i>Increase in Payable to Component Units.....</i>	(4)	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	4,312	
<i>Amortization of Deferred Refunding Loss.....</i>	(3,390)	
<i>Decrease in Intergovernmental Payables.....</i>	19,689	
<i>Increase in Compensated Absences.....</i>	(1,708)	
<i>Decrease in Refund and Other Liabilities.....</i>	11,893	
<i>Decrease in Litigation Liabilities.....</i>	20,000	
<i>Increase in Liability for Escheat Property.....</i>	(41,468)	
		<u>13,287</u>
<i>Total additional expenditures.....</i>		
<i>Change in Net Assets of Governmental Activities.....</i>		<u><u>\$ (611,613)</u></u>

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	GENERAL			
	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Income Taxes	\$ 995,000	\$ 7,501,000	\$ 7,420,657	\$ (80,343)
Sales Taxes	1,077,490	6,361,499	6,397,945	36,446
Corporate and Public Utility Taxes	72,327	1,300,001	1,305,727	5,726
Motor Vehicle Fuel Taxes	—	—	—	—
Cigarette Taxes.....	75,002	583,200	599,941	16,741
Other Taxes	28,077	621,699	595,407	(26,292)
Licenses, Permits and Fees	95,396	121,465	122,139	674
Sales, Services and Charges	51,734	51,734	52,295	561
Federal Government	859,138	4,927,289	5,129,600	202,311
Tobacco Settlement.....	—	—	—	—
Investment Income	3,473	53,474	17,739	(35,735)
Other	976,885	1,742,556	1,323,573	(418,983)
TOTAL REVENUES.....	4,234,522	23,263,917	22,965,023	(298,894)
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	6,669,105	6,515,744	6,334,376	181,368
Higher Education Support	2,391,231	2,100,627	2,091,756	8,871
Public Assistance and Medicaid	9,297,680	9,496,947	9,416,330	80,617
Health and Human Services	1,423,627	1,339,981	1,268,879	71,102
Justice and Public Protection	2,202,082	2,055,307	1,902,758	152,549
Environmental Protection and Natural Resources	193,851	169,500	147,429	22,071
Transportation	75,829	67,122	64,585	2,537
General Government	790,219	781,781	577,340	204,441
Community and Economic Development	266,027	243,555	222,354	21,201
INTERGOVERNMENTAL.....	1,384,797	1,389,489	1,316,176	73,313
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE.....	1,051,404	1,043,647	908,601	135,046
TOTAL BUDGETARY EXPENDITURES.....	25,745,852	25,203,700	24,250,584	953,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....	(21,511,330)	(1,939,783)	(1,285,561)	654,222
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	—	—	—	—
Transfers-in	19,565	387,920	434,376	46,456
Transfers-out	(1,265)	(2,639)	(47,369)	(44,730)
TOTAL OTHER FINANCING SOURCES (USES).....	18,300	385,281	387,007	1,726
NET CHANGE IN FUND BALANCES.....	(21,493,030)	(1,554,502)	(898,554)	655,948
BUDGETARY FUND BALANCES (DEFICITS), JULY 1	847,562	847,562	847,562	—
Outstanding Encumbrances at Beginning of Fiscal Year	587,945	587,945	587,945	—
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30	<u>\$(20,057,523)</u>	<u>\$ (118,995)</u>	<u>\$ 536,953</u>	<u>\$ 655,948</u>

The notes to the financial statements are an integral part of this statement.

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL			ORIGINAL	FINAL		
		\$ —				\$ —	
		—				—	
		—				—	
		—				—	
		—				—	
		4,582				—	
		416,681				791	
		—				314	
		3,060,557				1,155,873	
		—				—	
		10,562				3,026	
		150,796				25,668	
		<u>3,643,178</u>				<u>1,185,672</u>	
\$ 270	\$ 270	153	\$ 117	\$ 1,997,620	\$ 2,238,201	1,901,038	\$ 337,163
3,257	3,257	1,204	2,053	13,886	16,779	10,930	5,849
5,016,253	5,106,903	4,488,474	618,429	—	—	—	—
568,616	588,421	526,632	61,789	270	294	195	99
79,066	82,209	36,510	45,699	37,413	40,535	21,956	18,579
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,950	2,043	1,821	222	—	100	100	—
10,152	10,152	10,152	—	—	—	—	—
—	—	—	—	—	—	—	—
11,134	28,413	9,738	18,675	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 5,690,698</u>	<u>\$ 5,821,668</u>	<u>5,074,684</u>	<u>\$ 746,984</u>	<u>\$ 2,049,189</u>	<u>\$ 2,295,909</u>	<u>1,934,219</u>	<u>\$ 361,690</u>
		<u>(1,431,506)</u>				<u>(748,547)</u>	
		—				—	
		—				671,659	
		<u>(12,218)</u>				<u>(30,120)</u>	
		<u>(12,218)</u>				<u>641,539</u>	
		<u>(1,443,724)</u>				<u>(107,008)</u>	
		(831,090)				58,093	
		<u>1,008,142</u>				<u>12,447</u>	
		<u>\$ (1,266,672)</u>				<u>\$ (36,468)</u>	

(continued)

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

HIGHWAY OPERATING				
	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Income Taxes			\$ —	
Sales Taxes			—	
Corporate and Public Utility Taxes			—	
Motor Vehicle Fuel Taxes			385,459	
Cigarette Taxes.....			—	
Other Taxes			—	
Licenses, Permits and Fees			70,816	
Sales, Services and Charges			2,048	
Federal Government			946,002	
Tobacco Settlement.....			—	
Investment Income			24,496	
Other			88,081	
TOTAL REVENUES.....			1,516,902	
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	\$ —	\$ —	—	\$ —
Higher Education Support	—	—	—	—
Public Assistance and Medicaid	—	—	—	—
Health and Human Services	—	—	—	—
Justice and Public Protection	—	—	—	—
Environmental Protection and Natural Resources	—	—	—	—
Transportation	4,158,155	4,246,360	3,297,801	948,559
General Government	—	—	—	—
Community and Economic Development	—	—	—	—
INTERGOVERNMENTAL.....	—	—	—	—
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE.....	80,054	83,354	62,994	20,360
TOTAL BUDGETARY EXPENDITURES.....	\$ 4,238,209	\$ 4,329,714	3,360,795	\$ 968,919
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....				(1,843,893)
OTHER FINANCING SOURCES (USES):				
Bond Proceeds			—	
Transfers-in			524,003	
Transfers-out			(204,859)	
TOTAL OTHER FINANCING SOURCES (USES).....			319,144	
NET CHANGE IN FUND BALANCES.....				(1,524,749)
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....				(558,174)
Outstanding Encumbrances at Beginning of Fiscal Year			1,445,748	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			\$ (637,175)	

The notes to the financial statements are an integral part of this statement.

REVENUE DISTRIBUTION

BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL		POSITIVE/ (NEGATIVE)
		\$ 829,840	
		301,264	
		367,475	
		1,096,435	
		—	
		11,252	
		530,792	
		22	
		—	
		—	
		1,467	
		63	
		3,138,610	
\$ —	\$ —	—	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,589,663	2,591,511	2,307,799	283,712
—	—	—	—
—	—	—	—
\$ 2,589,663	\$ 2,591,511	2,307,799	\$ 283,712
		830,811	
		—	
		1,786	
		(815,820)	
		(814,034)	
		16,777	
		263,049	
		—	
		\$ 279,826	

STATE OF OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2003
(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 1,779	\$ 17,016	\$ —
Cash and Cash Equivalents.....	2,075,862	8,930	1,515
Investments.....	—	—	67,502
Collateral on Lent Securities.....	2,079,647	7,394	14,604
Restricted Assets:			
Cash Equity with Treasurer.....	—	16,654	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	63,140	—
Collateral on Lent Securities.....	—	397,732	—
Other Receivables.....	—	2,815	—
Deposit with Federal Government.....	—	—	1,190,542
Intergovernmental Receivable.....	—	—	5,493
Premiums and Assessments Receivable.....	1,049,831	—	13,234
Investment Trade Receivable.....	381,989	—	—
Interfund Receivable.....	57,765	—	—
Other Receivables.....	273,108	45,136	8,492
Inventories.....	—	—	—
Other Assets.....	2,005	3,666	6,662
TOTAL CURRENT ASSETS.....	5,921,986	562,483	1,308,044
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents.....	1,891	—	—
Investments.....	—	1,016,438	—
Investments.....	14,085,343	—	—
Premiums and Assessments Receivable.....	487,974	—	16,932
Interfund Receivable.....	723,687	—	—
Other Receivables.....	—	—	—
Capital Assets Being Depreciated, Net.....	141,921	44,887	—
Capital Assets Not Being Depreciated.....	12,631	—	—
TOTAL NONCURRENT ASSETS.....	15,453,447	1,061,325	16,932
TOTAL ASSETS.....	21,375,433	1,623,808	1,324,976
CURRENT LIABILITIES:			
Accounts Payable.....	5,490	8,949	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	2,079,647	405,126	14,604
Investment Trade Payable.....	1,990,631	—	—
Intergovernmental Payable.....	—	—	—
Deferred Prize Awards Payable.....	—	82,609	—
Interfund Payable.....	—	390	—
Deferred Revenue.....	14,535	1,929	—
Benefits Payable.....	1,688,700	—	13,148
Refund and Other Liabilities.....	559,688	40,813	10,545
Bonds and Notes Payable.....	—	—	—
TOTAL CURRENT LIABILITIES.....	6,338,691	539,816	38,297
NONCURRENT LIABILITIES:			
Deferred Prize Awards Payable.....	—	846,616	—
Interfund Payable.....	—	4,143	—
Deferred Revenue.....	387,901	—	—
Benefits Payable.....	12,618,671	—	—
Refund and Other Liabilities.....	1,329,046	32,468	—
Bonds and Notes Payable.....	148,745	—	—
TOTAL NONCURRENT LIABILITIES.....	14,484,363	883,227	—
TOTAL LIABILITIES.....	20,823,054	1,423,043	38,297
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	6,623	764	—
Restricted for Deferred Lottery Prizes.....	—	169,822	—
Unrestricted (Deficits).....	545,756	30,179	1,286,679
TOTAL NET ASSETS (DEFICITS).....	\$ 552,379	\$ 200,765	\$ 1,286,679

The notes to the financial statements are an integral part of this statement.

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ —	\$ 45	\$ 5,335	\$ 2,120	\$ 6,555	\$ 32,850
451	908	7,320	—	—	2,094,986
24,517	—	—	—	—	92,019
7	347	1,009	712	—	2,103,720
—	—	—	—	—	16,654
—	271	—	—	—	271
—	70,629	—	—	—	133,769
—	—	—	—	—	397,732
—	—	—	—	—	2,815
—	—	—	—	—	1,190,542
—	—	—	—	—	5,493
—	—	—	—	—	1,063,065
—	—	—	—	—	381,989
—	—	—	—	1,823	59,588
5,480	1,179	—	34	8,525	341,954
—	—	29,043	—	—	29,043
596	—	152	—	412	13,493
31,051	73,379	42,859	2,866	17,315	7,959,983
—	—	—	—	—	1,891
—	618,009	—	—	—	1,634,447
—	71,442	—	—	—	14,156,785
—	—	—	—	—	504,906
—	—	—	—	7,385	731,072
14,835	—	—	—	—	14,835
—	117	1,032	6,452	3,912	198,321
—	—	—	956	—	13,587
14,835	689,568	1,032	7,408	11,297	17,255,844
45,886	762,947	43,891	10,274	28,612	25,215,827
2,198	376	16,856	14	382	34,265
326	74	744	52	2,703	3,899
7	347	1,009	712	—	2,501,452
—	—	—	—	—	1,990,631
—	—	375	—	—	375
—	—	—	—	—	82,609
—	—	1,429	2	—	1,821
81	—	—	7	—	16,552
—	70,900	—	—	—	1,772,748
109	600	1,370	10	1,261	614,396
3,730	—	—	—	—	3,730
6,451	72,297	21,783	797	4,346	7,022,478
—	—	—	—	—	846,616
—	—	2,279	222	—	6,644
—	—	—	—	—	387,901
—	1,009,600	—	—	—	13,628,271
—	—	2,346	107	13,872	1,377,839
14,835	—	—	—	—	163,580
14,835	1,009,600	4,625	329	13,872	16,410,851
21,286	1,081,897	26,408	1,126	18,218	23,433,329
—	117	1,032	7,408	3,883	19,827
—	—	—	—	—	169,822
24,600	(319,067)	16,451	1,740	6,511	1,592,849
\$ 24,600	\$ (318,950)	\$ 17,483	\$ 9,148	\$ 10,394	\$ 1,782,498

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS -- ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services.....	\$ —	\$ 2,078,254	\$ 20,905
Premium and Assessment Income.....	2,174,938	—	751,075
Federal Government.....	—	—	340,654
Investment Income.....	—	—	92,950
Other.....	9,254	4,854	16,019
TOTAL OPERATING REVENUES.....	2,184,192	2,083,108	1,221,603
OPERATING EXPENSES:			
Costs of Sales and Services.....	—	—	—
Administration.....	54,081	84,882	—
Premium Dividend Reductions and Refunds.....	640,563	—	—
Bonuses and Commissions.....	—	137,030	—
Prizes.....	—	1,208,193	—
Benefits and Claims.....	3,360,782	—	1,783,184
Depreciation.....	18,565	15,178	—
Other.....	14,805	639	55,765
TOTAL OPERATING EXPENSES.....	4,088,796	1,445,922	1,838,949
OPERATING INCOME (LOSS).....	(1,904,604)	637,186	(617,346)
NONOPERATING REVENUES (EXPENSES):			
Investment Income.....	575,402	148,797	585
Interest Expense.....	—	(3,075)	—
Federal Grants.....	—	11	44
Other.....	—	(74,767)	—
TOTAL NONOPERATING REVENUES (EXPENSES).....	575,402	70,966	629
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(1,329,202)	708,152	(616,717)
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
Capital Contributions.....	—	—	—
Transfers-in.....	—	—	881
Transfers-out.....	(7,909)	(641,541)	(9,907)
TOTAL TRANSFERS.....	(7,909)	(641,541)	(9,026)
NET INCOME (LOSS).....	(1,337,111)	66,611	(625,743)
NET ASSETS (DEFICITS), JULY 1	1,889,490	134,154	1,912,422
NET ASSETS (DEFICITS), JUNE 30.....	\$ 552,379	\$ 200,765	\$ 1,286,679

The notes to the financial statements are an integral part of this statement.

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ 24,788	\$ 110,655	\$ 492,098	\$ 2,526	\$ 42,443	\$ 2,771,669
—	—	—	—	—	2,926,013
—	—	—	—	—	340,654
—	29,141	—	—	—	122,091
2,570	6	1,097	2	148	33,950
27,358	139,802	493,195	2,528	42,591	6,194,377
24,054	—	301,750	—	71,847	397,651
3,551	7,101	52,224	1,976	9,234	213,049
—	—	—	—	—	640,563
—	—	—	—	—	137,030
—	—	—	—	—	1,208,193
—	381,239	—	—	—	5,525,205
—	129	229	539	2,988	37,628
1,725	—	344	—	18	73,296
29,330	388,469	354,547	2,515	84,087	8,232,615
(1,972)	(248,667)	138,648	13	(41,496)	(2,038,238)
30	—	—	46	—	724,860
(1,494)	—	—	—	—	(4,569)
—	—	—	—	—	55
—	—	—	—	26	(74,741)
(1,464)	—	—	46	26	645,605
(3,436)	(248,667)	138,648	59	(41,470)	(1,392,633)
—	—	—	956	—	956
27,874	—	—	—	41,917	70,672
(27,874)	—	(138,539)	(757)	—	(826,527)
—	—	(138,539)	199	41,917	(754,899)
(3,436)	(248,667)	109	258	447	(2,147,532)
28,036	(70,283)	17,374	8,890	9,947	3,930,030
\$ 24,600	\$ (318,950)	\$ 17,483	\$ 9,148	\$ 10,394	\$ 1,782,498

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ —	\$ 2,065,239	\$ 35,765
Cash Received from Premiums and Assessments.....	679,851	—	748,364
Cash Received from Reciprocal Transactions with Other Funds.....	43,767	63	—
Cash Received from the Federal Government for Extended Benefits..	—	—	326,944
Other Operating Cash Receipts.....	16,630	4,791	9,493
Cash Payments to Suppliers for Goods and Services.....	(74,922)	(62,292)	—
Cash Payments to Employees for Services.....	(243,379)	(22,880)	—
Cash Payments for Benefits and Claims.....	(2,079,895)	—	(1,784,768)
Cash Payments for Lottery Prizes.....	—	(1,346,120)	—
Cash Payments for Bonuses and Commissions.....	—	(136,994)	—
Cash Payments for Premium Reductions and Refunds.....	(125,775)	—	—
Cash Payments for Reciprocal Transactions with Other Funds.....	(3)	(434)	—
Other Operating Cash Payments.....	—	(639)	(14,749)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	(1,783,726)	500,734	(678,951)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	881
Transfers-out	(7,909)	(641,541)	(9,907)
Federal Grants.....	—	—	44
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....	(7,909)	(641,541)	(8,982)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds and Capital Leases.....	(10,000)	(13,049)	—
Payments for Bond Refunding-William Green Building.....	(10,460)	—	—
Interest Paid	(8,175)	(3,075)	—
Acquisition and Construction of Capital Assets	(7,564)	(983)	—
Proceeds from Sales of Capital Assets	100	56	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....	(36,099)	(17,051)	—
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments.....	(38,387,011)	(503,785)	(12,109,067)
Proceeds from the Sales and Maturities of Investments	39,358,969	635,858	12,702,730
Investment Income Received	624,773	22,303	93,535
Borrower Rebates and Agent Fees.....	(79,429)	(5,827)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....	1,517,302	148,549	687,198
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(310,432)	(9,309)	(735)
CASH AND CASH EQUIVALENTS, JULY 1.....	2,389,964	51,909	2,250
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 2,079,532	\$ 42,600	\$ 1,515

The notes to the financial statements are an integral part of this statement.

OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL	UNDERGROUND PARKING GARAGE	OFFICE OF AUDITOR OF STATE	TOTAL
\$ 24,054	\$ 105,865	\$ 490,244	\$ 1,969	\$ 34,551	\$ 2,757,687
—	—	—	—	—	1,428,215
1,182	—	3	560	8,204	53,779
—	—	—	—	—	326,944
1,854	—	1,086	2	289	34,145
(28,201)	(1,168)	(341,384)	(529)	(9,394)	(517,890)
(1,079)	(4,461)	(17,451)	(1,297)	(68,625)	(359,172)
—	—	—	—	—	(3,864,663)
—	—	—	—	—	(1,346,120)
—	—	—	—	—	(136,994)
—	—	—	—	—	(125,775)
—	(77)	(84)	(1)	—	(599)
—	(35,751)	(33)	(2)	(55)	(51,229)
(2,190)	64,408	132,381	702	(35,030)	(1,801,672)
27,874	—	—	—	—	28,755
(27,874)	—	(138,539)	(757)	34,163	(792,364)
—	—	—	—	—	44
—	—	(138,539)	(757)	34,163	(763,565)
(3,531)	—	—	—	—	(26,580)
—	—	—	—	—	(10,460)
(1,394)	—	—	—	—	(12,644)
3,531	(54)	(263)	(72)	(2,024)	(7,429)
—	—	10	—	68	234
(1,394)	(54)	(253)	(72)	(1,956)	(56,879)
(55,463)	(229,264)	—	—	—	(51,284,590)
58,926	139,527	—	—	—	52,896,010
245	21,376	—	62	—	762,294
—	—	—	—	—	(85,256)
3,708	(68,361)	—	62	—	2,288,458
124	(4,007)	(6,411)	(65)	(2,823)	(333,658)
327	5,231	19,066	2,185	9,378	2,480,310
\$ 451	\$ 1,224	\$ 12,655	\$ 2,120	\$ 6,555	\$ 2,146,652

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	WORKERS' COMPENSATION	OHIO LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (1,904,604)	\$ 637,186	\$ (617,346)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	(92,950)
Depreciation	18,565	15,178	—
Provision for Uncollectible Accounts.....	56,395	—	—
Amortization of Premiums and Discounts.....	435	—	—
Interest on Bonds, Notes and Capital Leases.....	8,175	—	—
Decrease (Increase) in Assets:			
Premiums and Assessments Receivable.....	(825,555)	—	(17,073)
Intergovernmental Receivable.....	—	—	1,148
Other Receivables	(81,395)	(13,456)	48,671
Interfund Receivable.....	(70,116)	—	—
Inventories	—	—	—
Other Assets	98	537	114
Increase (Decrease) in Liabilities:			
Accounts Payable	(6,145)	(2,268)	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	(911)
Deferred Prize Awards Payable.....	—	(137,648)	—
Interfund Payable.....	—	931	—
Deferred Revenue	(10,650)	441	—
Benefits Payable.....	1,040,199	—	(672)
Refund and Other Liabilities.....	(9,128)	(167)	68
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (1,783,726)	\$ 500,734	\$ (678,951)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments.....	\$ 42,871	\$ 78,830	\$ —
Refunding Bond Proceeds for Defeasance of Debt.....	154,150	—	—
Contributions of Capital Assets from Other Funds.....	—	—	—

The notes to the financial statements are an integral part of this statement.

<u>OHIO BUILDING AUTHORITY</u>	<u>TUITION TRUST AUTHORITY</u>	<u>LIQUOR CONTROL</u>	<u>UNDERGROUND PARKING GARAGE</u>	<u>OFFICE OF AUDITOR OF STATE</u>	<u>TOTAL</u>
\$ (1,972)	\$ (248,667)	\$ 138,648	\$ 13	\$ (41,496)	\$ (2,038,238)
—	(29,141)	—	—	—	(122,091)
—	129	229	539	2,988	37,628
—	—	—	—	—	56,395
(144)	—	—	—	—	291
—	—	—	—	—	8,175
—	—	—	—	—	(842,628)
—	—	—	—	—	1,148
(92)	(560)	—	(7)	141	(46,698)
—	—	10	—	—	(70,106)
—	—	(3,293)	—	—	(3,293)
(29)	—	(30)	—	(413)	277
155	85	(2,923)	(34)	(207)	(11,337)
—	6	95	1	192	294
—	—	8	—	—	(903)
—	—	—	—	—	(137,648)
—	—	407	205	—	1,543
(105)	—	—	1	—	(10,313)
—	342,300	—	—	—	1,381,827
(3)	256	(770)	(16)	3,765	(5,995)
<u>\$ (2,190)</u>	<u>\$ 64,408</u>	<u>\$ 132,381</u>	<u>\$ 702</u>	<u>\$ (35,030)</u>	<u>\$ (1,801,672)</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 121,701
—	—	—	—	—	154,150
—	—	—	956	—	956

STATE OF OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/02)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	12,794	189,566	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	24,299	—	4,789,195
Common and Preferred Stock.....	238,362	—	—
Corporate Bonds and Notes.....	46,264	—	—
Foreign Stocks and Bonds.....	56,327	—	—
Commercial Paper.....	—	—	554,465
Repurchase Agreements.....	—	—	23,655
Mutual Funds.....	—	2,233,310	—
Real Estate.....	79,223	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	53,988	—	—
State Treasury Asset Reserve of Ohio (STAROhio).....	—	—	—
Collateral on Lent Securities.....	110,188	—	1,161,154
Employer Contributions Receivable.....	1,503	—	—
Employee Contributions Receivable.....	1,426	—	—
Investment Trade Receivable.....	—	33,139	—
Other Receivables.....	1,291	—	—
Other Assets.....	43	—	—
Capital Assets, Net.....	135	—	—
TOTAL ASSETS.....	625,843	2,456,015	6,528,469
LIABILITIES:			
Accounts Payable.....	1,156	—	—
Accrued Liabilities.....	1,033	3,498	—
Obligations Under Securities Lending.....	110,188	—	1,161,154
Investment Trade Payable.....	—	33,756	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	50	—	409
TOTAL LIABILITIES.....	112,427	37,254	1,161,563
NET ASSETS:			
Held in Trust for:			
Employees' Pension Benefits.....	439,670	—	—
Employees' Postemployment Healthcare Benefits.....	73,746	—	—
Individuals, Organizations and Other Governments.....	—	2,418,761	—
Pool Participants.....	—	—	5,366,906
TOTAL NET ASSETS.....	\$ 513,416	\$ 2,418,761	\$ 5,366,906

The notes to the financial statements are an integral part of this statement.

AGENCY

\$ 168,377
246,551

12,713,864
46,985,355
10,175,722
20,215,452
2,056,095
122,598
5,363,618
11,144,649
1,470,209
120,501
39,938
197,673

—
—
—
1,274
426,509
—

111,448,385

—
—
197,673
—
66,811
111,183,901

111,448,385

—
—
—
—

\$ —

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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/02)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer.....	\$ 18,705	\$ —	\$ —
Employees.....	7,563	—	—
Plan Participants.....	—	839,709	—
Other.....	999	—	—
Total Contributions.....	27,267	839,709	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	(62,878)	12,603	—
Interest, Dividends and Other.....	16,622	37,836	92,441
Total Investment Income.....	(46,256)	50,439	92,441
Less: Investment Expense.....	3,340	15,358	4,688
Net Investment Income.....	(49,596)	35,081	87,753
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	20,743,364
Reinvested Distributions.....	—	—	87,754
Shares Redeemed.....	—	—	(21,746,082)
Net Capital Share and Individual Account Transactions.....	—	—	(914,964)
TOTAL ADDITIONS.....	(22,329)	874,790	(827,211)
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries.....	31,325	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	7,025	—	—
Refunds of Employee Contributions.....	266	—	—
Administrative Expense.....	541	—	—
Transfers to Other Retirement Systems.....	1,054	—	—
Distributions to Shareholders and Plan Participants.....	—	185,551	87,754
TOTAL DEDUCTIONS.....	40,211	185,551	87,754
CHANGE IN NET ASSETS HELD FOR:			
Employees' Pension Benefits.....	(52,544)	—	—
Employees' Postemployment Healthcare Benefits.....	(9,996)	—	—
Individuals, Organizations and Other Governments.....	—	689,239	—
Pool Participants.....	—	—	(914,965)
NET ASSETS, JULY 1.....	575,956	1,729,522	6,281,871
NET ASSETS, JUNE 30.....	\$ 513,416	\$ 2,418,761	\$ 5,366,906

The notes to the financial statements are an integral part of this statement.

STATE OF OHIO
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2003
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/02)	OHIO STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 310,326	\$ 15	\$ —
Cash and Cash Equivalents.....	—	56	255,223
Investments.....	—	90,662	581,482
Collateral on Lent Securities.....	103,846	—	—
Intergovernmental Receivable.....	18,264	267	4,804
Loans Receivable, Net.....	—	1,450	10,400
Receivable from Primary Government.....	—	—	7,135
Other Receivables.....	365	12	300,621
Inventories.....	—	—	18,129
Other Assets.....	26	—	43,595
TOTAL CURRENT ASSETS.....	432,827	92,462	1,221,389
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	14,066	16,125
Investments.....	—	961,744	—
Collateral on Lent Securities.....	—	—	—
Loans Receivable, Net.....	—	2,520,041	—
Investments.....	—	30,093	1,017,094
Loans Receivable, Net.....	—	20,214	49,016
Other Receivables.....	—	1,775	43,499
Other Assets.....	—	16,370	—
Capital Assets Being Depreciated, Net.....	25	1,251	1,589,687
Capital Assets Not Being Depreciated.....	—	539	279,668
TOTAL NONCURRENT ASSETS.....	25	3,566,093	2,995,089
TOTAL ASSETS.....	432,852	3,658,555	4,216,478
CURRENT LIABILITIES:			
Accounts Payable.....	6,773	40,872	159,709
Accrued Liabilities.....	161	6,910	112,927
Obligations Under Securities Lending.....	103,846	—	—
Intergovernmental Payable.....	748,200	2,240	—
Deferred Revenue.....	—	—	89,674
Refund and Other Liabilities.....	62	43	63,364
Bonds and Notes Payable.....	—	105,653	343,471
Certificates of Participation.....	—	—	980
TOTAL CURRENT LIABILITIES.....	859,042	155,718	770,125
NONCURRENT LIABILITIES:			
Intergovernmental Payable.....	1,385,342	—	—
Deferred Revenue.....	—	—	8,000
Refund and Other Liabilities.....	349	134	176,748
Bonds and Notes Payable.....	—	1,509,311	217,160
Certificates of Participation.....	—	—	6,900
TOTAL NONCURRENT LIABILITIES.....	1,385,691	1,509,445	408,808
TOTAL LIABILITIES.....	2,244,733	1,665,163	1,178,933
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	25	1,790	1,266,371
Restricted for:			
Federal Programs.....	—	—	—
Debt Service.....	—	1,838,858	—
Intergovernmental and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	791,188
Affiliated Organizations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	4,944
Endowments and Quasi-Endowments.....	—	—	113,806
Current Operations.....	—	—	289,216
Affiliated Organizations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	37,272
Unrestricted (Deficits).....	(1,811,906)	152,744	534,748
TOTAL NET ASSETS (DEFICITS).....	\$ (1,811,881)	\$ 1,993,392	\$ 3,037,545

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 20,830	\$ 331,171
62,156	408,489	725,924
72,937	611,268	1,356,349
—	6,990	110,836
—	24,592	47,927
3,292	20,899	36,041
379	18,560	26,074
60,479	223,816	585,293
4,772	23,857	46,758
20,692	49,429	113,742
224,707	1,408,730	3,380,115
—	16,351	16,351
—	60,237	90,428
—	193,130	1,154,874
—	5,485	5,485
—	—	2,520,041
984,667	349,070	2,380,924
28,072	92,946	190,248
35,276	8,465	89,015
200,134	11,721	228,225
802,588	3,056,181	5,449,732
278,858	454,041	1,013,106
2,329,595	4,247,627	13,138,429
2,554,302	5,656,357	16,518,544
47,870	113,725	368,949
65,283	143,236	328,517
—	12,475	116,321
379	388	751,207
12,769	201,841	304,284
35,187	85,057	183,713
35,531	58,775	543,430
90	—	1,070
197,109	615,497	2,597,491
—	—	1,385,342
—	1,698	9,698
190,887	160,168	528,286
474,245	1,003,323	3,204,039
840	—	7,740
665,972	1,165,189	5,135,105
863,081	1,780,686	7,732,596
585,748	2,725,094	4,579,028
—	36	36
—	—	1,838,858
—	16,351	16,351
90,107	53,783	143,890
71,618	1,107	72,725
465,541	62,471	1,319,200
193,058	—	193,058
—	7,712	7,712
31,447	34,235	65,682
90,877	8,439	99,316
26,178	17,306	43,484
22,532	7,376	29,908
27,569	5,530	33,099
8,124	2,388	10,512
—	34,860	39,804
107,233	12,384	233,423
2,944	17,296	309,456
25,456	—	25,456
16,242	102,182	155,696
(73,453)	767,121	(430,746)
\$ 1,691,221	\$ 3,875,671	\$ 8,785,948

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/02)	OHIO STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 28,349	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental	1,412,575	842	—
Cost of Services.....	—	81,317	—
Administration.....	—	9,891	—
Education and General:			
Instruction and Departmental Research.....	—	—	569,710
Separately Budgeted Research.....	—	—	303,057
Public Service.....	—	—	114,916
Academic Support.....	—	—	90,786
Student Services.....	—	—	62,356
Institutional Support.....	—	—	110,144
Operation and Maintenance of Plant.....	—	—	68,154
Scholarships and Fellowships.....	—	—	41,489
Auxiliary Services.....	—	—	164,130
Hospitals.....	—	—	809,584
Interest on Long-Term Debt.....	—	—	17,594
Depreciation.....	15	255	140,608
Other.....	—	32	2,620
TOTAL EXPENSES.....	1,440,939	92,337	2,495,148
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	16	122,319	1,480,641
Operating Grants, Contributions and Restricted Investment Income.....	34,697	109,889	482,228
Capital Grants, Contributions and Restricted Investment Income.....	—	—	97,357
TOTAL PROGRAM REVENUES.....	34,713	232,208	2,060,226
NET PROGRAM (EXPENSE) REVENUE	(1,406,226)	139,871	(434,922)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	2,986	69,754
State Assistance.....	460,804	—	494,241
Other.....	—	—	1,178
TOTAL GENERAL REVENUES.....	460,804	2,986	565,173
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	46,026
SPECIAL ITEMS.....	—	—	53,489
CHANGE IN NET ASSETS.....	(945,422)	142,857	229,766
NET ASSETS (DEFICITS), JULY 1 (as restated).....	(866,459)	1,850,535	2,807,779
NET ASSETS (DEFICITS), JUNE 30.....	\$ (1,811,881)	\$ 1,993,392	\$ 3,037,545

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF CINCINNATI	NONMAJOR COMPONENT UNITS	TOTAL
\$ —	\$ 56,418	\$ 84,767
—	2,445	2,445
—	46,853	1,460,270
—	—	81,317
—	—	9,891
234,615	1,197,068	2,001,393
119,596	139,371	562,024
45,520	112,985	273,421
57,623	278,926	427,335
31,904	195,854	290,114
64,577	325,829	500,550
50,596	228,571	347,321
11,281	133,420	186,190
70,611	441,886	676,627
—	169,445	979,029
16,995	39,355	73,944
57,389	212,862	411,129
25,210	17,845	45,707
785,917	3,599,133	8,413,474
283,560	2,000,054	3,886,590
223,852	369,216	1,219,882
7,609	50,815	155,781
515,021	2,420,085	5,262,253
(270,896)	(1,179,048)	(3,151,221)
—	52,637	125,377
219,263	1,208,081	2,382,389
9,998	33,948	45,124
229,261	1,294,666	2,552,890
12,774	1,017	59,817
8,137	28,521	90,147
(20,724)	145,156	(448,367)
1,711,945	3,730,515	9,234,315
\$ 1,691,221	\$ 3,875,671	\$ 8,785,948



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2003, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

1. Blended Component Units

The Ohio Building Authority and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

2. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of the organizations listed below. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets.

School Facilities Commission
Arts and Sports Facilities Commission
SchoolNet Commission

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio Water Development Authority

Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Central State University

Medical College of Ohio at Toledo

Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB Statement No. 14.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Statements — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* is displayed in three components:

- The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end are not included in the calculation of this net assets component.
- The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.
- The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, unrestricted investment income, escheat property revenues, unrestricted federal grants, and state assistance are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

sources provide significant funding for the payment of unemployment benefits – the fund’s principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, premium dividend reductions and refunds, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under “Other” nonoperating expenses.

The State reports the following major governmental funds:

General — The General Fund, the State’s primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

Education Special Revenue Fund — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State’s minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State’s colleges and universities for post-secondary education.

Highway Operating Special Revenue Fund — This fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio’s highways, roads, and bridges and for Ohio’s public transportation programs.

Revenue Distribution Special Revenue Fund — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and

other revenues levied, collected, and designated by the State for these purposes.

The State reports the following major proprietary funds:

Workers’ Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers’ Compensation and the Ohio Industrial Commission, which provide workers’ compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State’s lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

Ohio Building Authority Enterprise Fund — This fund accounts for the Authority’s local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

Tuition Trust Authority Enterprise Fund — This fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

Liquor Control Enterprise Fund — This fund accounts for the State’s liquor sales operations of the Ohio Department of Commerce’s Division of Liquor Control.

Underground Parking Garage Enterprise Fund — This fund accounts for the operations of the State’s underground parking facilities at Capitol Square in Columbus.

Office of Auditor of State Enterprise Fund — This fund accounts for the operations of the Ohio Auditor of State’s Office, which provides government audit and management advisory services to Ohio’s public offices.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2002.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAROhio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major component unit funds:

The *School Facilities Commission*, which accounts for grants that provide assistance to local school districts for the construction of school buildings, is a discretely presented governmental component unit that uses special revenue fund reporting.

The *Ohio Water Development Authority*, *Ohio State University*, and *University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2002. The Ohio State University Fund accounts for the university's operations, including its health system, super-computer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

C. Measurement Focus and Basis of Accounting
Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes

place. The State defers revenue recognition when resources are received in advance of the exchange.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as deferred revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available when the revenues are collected within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Federal government grants
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the 60-day availability period.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers revenue recognition when resources are received in advance of the exchange or when resources earned from the exchange are not received during the availability period.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as deferred revenue. Also, the State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period (within 60-days of year-end or soon enough thereafter to be used to pay liabilities of the current period).

Investment income includes the net increase (decrease) in the fair value of investments.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, bond premiums, and ac-

quisitions under capital leases are reported as other financing sources while bond discounts and payments to bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly. All proposed expenditures for the State and estimated revenues and borrowings for a biennium comprise the budget, which includes those funds of the State subject to appropriation pursuant to state law.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

Biennially, the General Assembly approves operating and capital appropriations. The legislature specifies operating appropriations in annual amounts and capital appropriations in two-year amounts.

The State's Controlling Board, comprised of six members of the General Assembly and the director of the Office of Budget and Management (OBM) or an employee of OBM designated by the director, can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code. As provided by Sections 127.14 and 127.16, Ohio Revised Code, the Board has delegated to the director of OBM authority to approve transfers within a state agency among items of appropriations for the same fiscal year not to exceed a cumulative fiscal year transfer of \$50,000 (or \$75,000 for certain institutional departments) from each item of appropriation. The OBM director cannot make transfers for the purpose of effecting new or changed levels of program service not authorized by the General Assembly.

All governmental funds are budgeted except the following activities within the debt service fund type:

- Vietnam Conflict Compensation
- General Obligations
- Economic Development Revenue Bonds
- Infrastructure Bank Revenue Bonds
- Revitalization Project Revenue Bonds
- Higher Education Facilities Special Obligations
- Mental Health Facilities Special Obligations
- Parks and Recreation Facilities Special Obligations



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Building Program Special Obligations
Ohio Building Authority Special Obligations
Transportation Certificates of Participation

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report*, which is available for public inspection at the Ohio Office of Budget and Management, provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports budgeted revenues and other financing sources and uses for the General Fund only; the State does not budget revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

**E. Cash Equity with Treasurer
and Cash and Cash Equivalents**

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effec-

tively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers' Compensation, Lottery Commission, and Tuition Trust Authority enterprise funds and the Medical College of Ohio and the Columbus State Community College component unit funds.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value). The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenue. Additional disclosures on taxes receivable can be found in NOTE 5A.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5B.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

J. Restricted Assets

The primary government reports assets restricted for payment of workers' compensation benefits, deferred prize awards (Ohio Lotto), and tuition benefits in the enterprise funds for the Bureau of Workers' Compensation, Lottery Commission, and Tuition Trust Authority, respectively.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and his-

torical treasures, including historical land improvements and buildings. Infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized; while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council,



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- the collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- the collection is protected, kept unencumbered, cared for, and preserved.
- the collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings	\$ 15,000
Building Improvements.....	100,000
Land	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment	15,000
Vehicles	15,000
Infrastructure:	
Highway Network	500,000
Bridge Network.....	500,000
Park and Natural Resources Network	All, regardless of cost

For depreciable capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings	20-45 years
Land Improvements	10-25 years
Machinery and Equipment	2-15 years
Vehicles	5-15 years
Park and Natural Resources Infrastructure Network	50 years

NOTE 8 contains additional disclosures about the primary government's capital assets.

Discretely Presented Component Unit Funds

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. Capital assets are depreciated using the straight-line method. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Noncurrent Liabilities

Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

M. Compensated Absences

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

N. Fund Balance

Fund balance reported in the governmental fund financial statements is classified as follows:

Reserved

Reservations represent balances that are not appropriate or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

Unreserved/Designated

Designations represent balances available for tentative management plans that are subject to change.

Unreserved/Undesignated

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

O. Risk Management

The State's primary government is self-insured for claims under its traditional healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity

risk pool, which is accounted for in the Bureau of Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds as an interfund payable. (See NOTE 7).

P. Interfund Balances and Activities

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

Q. Intra-Entity Balances and Activities

Balances due between the primary government and its discretely presented component units are re-

ported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS

A. Restatements — Primary Government

Restatements of fund balances/net assets, as of June 30, 2002, for the primary government are presented in the following table (dollars in thousands).

The increase in the intergovernmental receivable balance was a correction to the calculation of reim-

bursements due from the federal government for childcare programs at the Ohio Department of Job and Family Services. The increase in the interfund payable balance resulted from a change in the application of accounting principle that restated amounts owed to the Ohio Bureau of Workers' Compensation for workers' compensation claims.

	Governmental Funds						
	General	Job, Family and Other Human Services	Highway Operating	Other Major Govern- mental Funds	Total Major Govern- mental Funds	Nonmajor Govern- mental Funds	Total
Fund Balance, as of June 30, 2002, As Previously Reported	\$875,457	\$143,359	\$814,692	\$147,528	\$1,981,036	\$2,567,502	\$4,548,538
Corrections:							
Increase/(Decrease) to Assets:							
Cash Equity with Treasurer	5,696	—	—	—	5,696	—	5,696
Intergovernmental Receivable	—	77,177	—	—	77,177	—	77,177
Other Receivable-Interest	1,348	—	—	—	1,348	—	1,348
Inventories	(1,306)	—	1,306	—	—	—	—
	5,738	77,177	1,306	—	84,221	—	84,221
Change in the Application of Principle:							
(Increase)/Decrease to Liabilities:							
Interfund Payable	(118,945)	—	24,748	—	(94,197)	(9,871)	(104,068)
Fund Balance, July 1, 2002, As Restated	\$762,250	\$220,536	\$840,746	\$147,528	\$1,971,060	\$2,557,631	\$4,528,691
		Govern- mental Activities					
Net Assets, as of June 30, 2002, As Previously Reported	\$17,467,070						
Corrections:							
Increase/(Decrease) to Assets:							
Cash Equity with Treasurer	5,696						
Intergovernmental Receivable	101,671						
Other Receivable-Interest	1,659						
	109,026						
Change in the Application of Principle:							
(Increase)/Decrease to Liabilities:							
Interfund Payable	(104,068)						
	4,958						
Net Assets, July 1, 2002, As Restated ..	\$17,472,028						



NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS
(Continued)

B. Restatements — Component Unit Funds

Restatements of net assets, as of June 30, 2002, are summarized for the discretely presented component unit funds below (dollars in thousands).

	Major Component Units					
	School Facilities Commission	Ohio Water Development Authority (12/31/02)	Ohio State University	University of Cincinnati	Nonmajor Component Units	Total
Net Assets, as of June 30, 2002, As Previously Reported	\$(866,459)	\$1,850,535	\$2,807,779	\$1,711,945	\$3,739,245	\$9,243,045
Change in Accounting Principle: (Increase)/Decrease to Liabilities:						
Deferred Revenue	—	—	—	—	4,896	4,896
Refund and Other Liabilities	—	—	—	—	(9,602)	(9,602)
	—	—	—	—	(4,706)	(4,706)
Corrections:						
Increase/(Decrease) to Assets:						
Capital Assets Being Depreciated, Net....	—	—	—	—	(2,194)	(2,194)
(Increase)/Decrease to Liabilities:						
Interfund Payable.....	—	—	—	—		
Refund and Other Liabilities	—	—	—	—	(1,830)	(1,830)
	—	—	—	—	(4,024)	(4,024)
Increase/(Decrease) for Restatement	—	—	—	—	(8,730)	(8,730)
Net Assets, July 1, 2002, As Restated	\$(866,459)	\$1,850,535	\$2,807,779	\$1,711,945	\$3,730,515	\$9,234,315

C. Recently Issued Accounting Pronouncements

In May 2002, the GASB amended GASB Statement No. 14, *The Financial Reporting Entity*, and established additional guidance on the application of existing standards for the assessment of potential component units in determining a government's financial reporting entity when it issued GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of GASB Statement No. 39 are effective for financial statements presented for periods beginning after June 15, 2003.

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004.

Management has not yet determined the impact that the two new GASB Statements will have on the State's financial statements.



NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original budget amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2003.

An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

Final budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2003, whenever signed into law or otherwise legally authorized.

For fiscal year 2003, no excess of expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue funds is presented on the following page.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

Primary Government Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances For the General Fund and Major Special Revenue Funds As of June 30, 2003 <i>(dollars in thousands)</i>					
	Major Special Revenue Funds				
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis	\$ 192,787	\$ 288,975	\$ 22,556	\$ 615,689	\$ 106,606
Less: Reserved Fund Balances	595,025	1,237,079	82,953	1,275,676	124,022
Unreserved/Undesignated Fund Balances —					
GAAP Basis	(402,238)	(948,104)	(60,397)	(659,987)	(17,416)
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer	(31,158)	(3,172)	(591)	(7,383)	(8,697)
Taxes Receivable	(734,024)	—	—	(38,238)	(205,679)
Intergovernmental Receivable	(618,063)	(544,173)	(119,718)	(85,505)	—
Loans Receivable, Net	(24,754)	—	(8,980)	(63,695)	—
Interfund Receivable	(245,634)	(6)	(3)	—	—
Other Receivables	(227,121)	(41,812)	(1,142)	(1,823)	(39)
Inventories	(19,159)	—	—	(24,349)	—
Other Assets	(16,886)	(1,920)	(4,390)	(3,185)	—
Deferred Revenue	104,209	218,207	73,064	37,832	18,400
Total Revenue Accruals/Adjustments	(1,812,590)	(372,876)	(61,760)	(186,346)	(196,015)
Expenditure Accruals/Adjustments:					
Accounts Payable	111,740	44,704	3,408	144,007	—
Accrued Liabilities	83,079	9,952	1,228	15,802	—
Medicaid Claims Payable	1,046,634	—	—	—	—
Intergovernmental Payable	286,726	233,144	78,654	3,758	302,454
Interfund Payable	560,554	15,012	3,033	94,662	56
Payable to Component Units	7,127	694	—	137	—
Refund and Other Liabilities	675,540	9,276	—	—	70,389
Liability for Escheat Property	4,041	—	—	—	—
Total Expenditure Accruals/Adjustments	2,775,441	312,782	86,323	258,366	372,899
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis)					
to Reserved for:					
Noncurrent Portion of Loans Receivable	24,134	—	8,423	58,034	—
Inventories	19,159	—	—	24,349	—
State and Local Highway Construction	—	—	—	—	124,022
Federal Programs	—	458	7,994	—	—
Other	275,166	33,914	203	3,185	—
Cash and Investments Held					
Outside of State Treasury	(207,523)	(34,445)	(4,476)	(229)	(3,664)
Total Other Adjustments	110,936	(73)	12,144	85,339	120,358
Total Basis Differences	1,073,787	(60,167)	36,707	157,359	297,242
TIMING DIFFERENCES					
Encumbrances	(134,596)	(258,401)	(12,778)	(134,547)	—
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis	\$ 536,953	\$(1,266,672)	\$ (36,468)	\$ (637,175)	\$ 279,826



NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

Inactive Deposits — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
- Repurchase agreements in the securities enumerated above;
- Interim deposits in the eligible institutions applying for interim moneys;
- Bonds and other obligations of the State of Ohio;
- The Treasurer of State's investment pool;
- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code;

- Agricultural linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to agricultural businesses, as authorized under Section 135.74, Ohio Revised Code;
- Reverse repurchase agreements with any eligible financial institution that is a member of the Federal Reserve System or federal home loan bank, or any recognized U.S. government securities dealer;
- Securities lending agreements with any eligible financial institution that is a member of the federal reserve system or federal home loan bank, or any recognized U.S. government securities dealer;
- Commercial paper, rated in one of the two highest rating categories by two nationally recognized rating agencies and not exceeding five percent of the investment portfolio;
- Bankers' acceptances maturing in 270 days or less and not exceeding 10 percent of the investment portfolio;
- Debt of domestic corporations and foreign nations diplomatically recognized by the United States, rated investment grade by nationally recognized rating agencies and, in the aggregate, not exceeding five percent of the investment portfolio; and
- No-load money market funds consisting of U.S. government and agency obligations and repurchase agreements secured by such obligations.

The primary government's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized.

In some cases, deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate/government bonds and notes,



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

mortgage loans, limited partnerships, venture capital, real estate, and/or other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling (614) 466-2160, or by accessing the Treasurer of State's website at <http://www.ohiotreasurer.org>.

C. Deposits

1. Primary Government

As of June 30, 2003, the carrying amount of deposits was (dollars in thousands) \$756,843 and the bank balance was \$774,795. Of the bank balance, \$28,890 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$723,214 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name (Category 2), and \$22,691, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

2. Component Units

As of June 30, 2003, the carrying amount of deposits was (dollars in thousands) \$575,384, and the bank balance was \$639,096. Of the bank balance, \$52,605 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1), \$437,195 was collateralized with securities held by

the pledging financial institution's trust department or its agent in the respective component unit's name (Category 2), and \$149,296, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

D. Investments

The State categorizes investments to give an indication of the levels of credit risk associated with the State's custodial arrangements at year-end. *Category 1* includes investments that are insured, registered, or held by the State or its agent in the State's name. *Category 2* includes uninsured and unregistered investments held by the counterparty's trust department or its agent in the State's name. *Category 3* includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the State's name.

Certain investments have not been categorized because the securities are not used as evidence of the investment. These uncategorized investments include ownership in mutual funds, real estate, venture capital and limited partnerships, direct mortgage loans, life insurance, investment contracts, and the deposit with the federal government. In conformity with Governmental Accounting Standards Board Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lent at year-end for cash collateral have not been categorized by custodial credit risk, while securities lent for securities collateral have been categorized.

The levels of credit risk assumed by the primary government and its discretely presented component units and the carrying amount and fair value of investments, as of June 30, 2003, are detailed in the tables on the following page.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government

(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations:				
Not on Securities Loan	\$ 15,752,022	\$ —	\$ 6,194,770	\$ 21,946,792
On Securities Loan	—	—	52,295	52,295
Common and Preferred Stock	47,569,188	—	3,088,375	50,657,563
Corporate Bonds and Notes:				
Not on Securities Loan	9,464,055	—	1,688,304	11,152,359
On Securities Loan	—	—	41,327	41,327
Foreign Stocks and Bonds	20,306,779	—	1,222,847	21,529,626
Commercial Paper	3,202,869	—	2,075,471	5,278,340
Repurchase Agreements	151,049	23,646	357	175,052
High-Yield & Emerging Markets				
Fixed Income Securities	906,741	—	—	906,741
Mortgage and Asset-Backed Securities	4,767,667	—	—	4,767,667
Securities Lending Collateral:				
U.S. Government & Agency Obligations	9,977	—	1,226,844	1,236,821
Repurchase Agreements	1,202,552	—	—	1,202,552
Common and Preferred Stock	—	—	325,994	325,994
Corporate Bonds and Notes	563,225	—	343,674	906,899
Foreign Stocks and Bonds	—	—	182,536	182,536
Commercial Paper	1,465,277	—	—	1,465,277
	<u>\$105,361,401</u>	<u>\$23,646</u>	<u>\$16,442,794</u>	<u>121,827,841</u>
Investments Held by Broker-dealers under Securities Loans with Cash Collateral:				
U.S. Government and Agency Obligations				4,539,032
Common and Preferred Stock				387,689
Corporate Bonds and Notes				353,936
Foreign Stocks and Bonds				168,539
Mortgage and Asset-Backed Securities				16,966
Mutual Funds				7,424,631
Real Estate				11,223,872
Venture Capital				1,470,209
Limited Partnerships				631,556
Investment Contracts				887
Securities Lending Collateral — Mutual Funds				254,299
Deposit with Federal Government				1,190,542
Component Units' Equity in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities)				(463,843)
Component Units' Equity in the State Treasury Asset Reserve of Ohio (STAR Ohio)				(699,512)
Total Investments — Primary Government				<u>\$148,326,644</u>

Component Units

(dollars in thousands)

	Category 1	Category 2	Category 3	Total Fair Value
U.S. Government & Agency Obligations	\$207,498	\$ 642,518	\$500,032	\$1,350,048
Common and Preferred Stock	577,080	920,528	9,069	1,506,677
Corporate Bonds and Notes	128,435	196,513	58,543	383,491
Commercial Paper	48	—	—	48
Repurchase Agreements	—	113,734	58,976	172,710
Negotiable Certificates of Deposit	—	30,000	21,500	51,500
Other Investments	1,235	—	19	1,254
	<u>\$914,296</u>	<u>\$1,903,293</u>	<u>\$648,139</u>	<u>3,465,728</u>
Investment in State Treasurer's Cash and Investment Pool (including associated Collateral on Lent Securities)				463,843
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio)				699,512
Mutual Funds				790,099
Real Estate				66,001
Direct Mortgages				24,911
Life Insurance				1,271
Limited Partnerships				7,054
Investment Contracts				78,539
Total Investments — Component Units				<u>\$5,596,958</u>



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The total carrying amount of deposits and investments, as of June 30, 2003, reported for the primary government and its component units is (dollars in thousands) \$155,091,796. The total carrying amount of deposits and investments categorized and disclosed in this note is \$155,255,829. A reconciliation of the difference is presented in the table below.

E. Securities Lending Transactions

The Treasurer of State, Bureau of Workers' Compensation (BWC), and the State Highway Patrol Retirement System participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts and the STAR Ohio program. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral. The State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. Consequently, as of June 30, 2003, the State had no credit exposure since the amount the State owed to borrowers exceeded the amount borrowers owed the State.

For loan contracts the Treasurer executes for the

State's cash and investment pool, which is reported in the financial statements as "Cash Equity with Treasurer," and for the Ohio Lottery Commission's Structured Investment Portfolio, which is reported as "Restricted Investments," the lending agent may not lend more than 50 percent of the total average portfolio. For the STAR Ohio program, no more than 25 percent of the STAR Ohio investment portfolio may be lent up to seven days and no more than 10 percent of the portfolio for terms up to 30 days. For securities lending contracts the Treasurer of State executes for the Tobacco Use Prevention and Control Foundation, the financial activities of which are reported in the Tobacco Settlement Special Revenue Fund, a minimum of 10 percent of the portfolio must be invested overnight and the following limits must be met:

- 25 percent of the portfolio may be on loan for up to seven days,
- 25 percent of the portfolio may be on loan from seven to 14 days,
- 25 percent of the portfolio may be on loan from 15 to 30 days, and
- 25 percent of the portfolio may be on loan for greater than 30 days, but not more than 90 days.

**Reconciliation of Deposit and Investments Disclosures
With Financial Statements
As of June 30, 2003
(dollars in thousands)**

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer.....	\$4,167,693	\$ 49,504	\$ 331,171	\$ 168,377	\$ 4,716,745
Cash and Cash Equivalents.....	76,797	2,095,257	725,924	448,911	3,346,889
Investments.....	740,078	14,382,573	3,737,273	118,507,089	137,367,013
Collateral on Lent Securities.....	1,485,828	2,501,452	110,836	1,469,015	5,567,131
Deposit with Federal Government.....	—	1,190,542	—	—	1,190,542
Restricted Assets:					
Cash Equity with Treasurer.....	—	—	16,351	—	16,351
Cash and Cash Equivalents.....	—	1,891	90,428	—	92,319
Investments.....	—	1,634,447	1,154,874	—	2,789,321
Collateral on Lent Securities.....	—	—	5,485	—	5,485
Total Reporting Entity	\$6,470,396	\$21,855,666	\$6,172,342	\$120,593,392	\$155,091,796
Primary Government:					
Deposits					\$ 756,843
Investments					148,326,644
					<u>149,083,487</u>
Component Units:					
Deposits					575,384
Investments					5,596,958
					<u>6,172,342</u>
Total Carrying Amount of Deposits and Investments					155,255,829
Outstanding Warrants and Other Reconciling Items					(164,033)
Total Reporting Entity					\$155,091,796



NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 45 days or less and generally match the maturities of securities loans.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy. Security lending agents for the STAR Ohio Program have an errors and omissions policy for loan losses of up to a maximum of \$250 thousand per loss, not to exceed \$5 million in total. As of June 30, 2003, the lending agent had deposited collateral with the Treasurer of State to cover a total loan loss of up to \$252 thousand under the securities lending agreement executed for the Tobacco Use Prevention and Control Foundation. Loan contracts for the Bureau of Workers Compensation do not provide any loss indemnification by securities lending agents in cases of borrower default. During fiscal year 2003, the State had not experienced any losses due to credit or market risk on securities lending activities.

During the fiscal year, the Treasurer and the STAR Ohio program lent U.S. government and agency obligations in exchange for collateral consisting of cash. The BWC lent fixed maturities and equity securities in exchange for cash, broker-provided, and letters of credit collateral while the State Highway Patrol Retirement System also lent a mix of fixed maturities and equity securities in exchange for cash collateral.

F. Derivatives

Derivatives are generally defined as a contract whose value depends on, or derives from, the values of an underlying asset, reference rate, or index.

As of June 30, 2003, the Bureau of Workers' Compensation Enterprise Fund held approximately \$5.2 billion in certain mortgage and asset-backed securities (primarily classified under the "U.S. Government and Agency Obligations" investment type), which the fund classified as derivatives. The overall return or yield on mortgage and asset-backed securities depends on the interest amount collected over the life of the security and the change in the fair value. Although the Bureau will receive the full principal amount, if prepaid, the interest income that would have been collected during the remaining period to maturity is lost. Accordingly, the yields and maturities of mortgage and asset-backed securities generally depend on when the underlying loan principal and interest are repaid. If the market rates fall below a loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new, lower interest rate financing.

Through the use of international money managers, the Bureau of Workers' Compensation also enters into various foreign currency exchange contracts to manage exposure to changes in foreign currency exchange rates on its international securities holdings. A forward currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The fair value of the forward currency contracts receivable for the Bureau was \$478 thousand, as of June 30, 2003.

Additionally, during the reporting period, the retirement systems reported in the Retirement Systems Agency Fund had investments in derivatives that were held in the Treasurer of State's custody. Specific information on the nature of the transactions and the reasons for entering into them can be found in each respective system's Comprehensive Annual Financial Report.



NOTE 5 RECEIVABLES

A. Taxes Receivables — Primary Government

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2003, approximately \$108.5 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$97.1 million is reported in the General Fund and \$11.4 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income, corporation franchise, and sales taxes, totaling approximately \$745.9 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$675.5 million is reported in the General Fund and \$70.4 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands).

	Governmental Activities				
	Major Governmental Funds			Nonmajor Governmental Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
Current-Due Within One Year:					
Income Taxes	\$279,425	\$ —	\$ 43,313	\$ 174	\$322,912
Sales Taxes	348,813	—	28,655	544	378,012
Motor Vehicle Fuel Taxes	—	38,238	98,581	1,875	138,694
Public Utility Taxes	66,425	—	30,513	—	96,938
Other Taxes	—	—	—	1,800	1,800
	694,663	38,238	201,062	4,393	938,356
Noncurrent-Due in More Than One Year:					
Income Taxes	39,361	—	4,617	—	43,978
Taxes Receivable, Net.....	<u>\$734,024</u>	<u>\$38,238</u>	<u>\$205,679</u>	<u>\$4,393</u>	<u>\$982,334</u>

B. Intergovernmental Receivables — Primary Government

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consisted of the following, as of June 30, 2003 (dollars in thousands).

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Governments	Local Government	
Governmental Activities:					
Major Governmental Funds:					
General	\$ 588,041	\$ 21,074	\$ —	\$ 8,948	\$ 618,063
Job, Family and Other Human Services	449,323	94,850	—	—	544,173
Education	57,938	61,780	—	—	119,718
Highway Operating	85,505	—	—	—	85,505
Nonmajor Governmental Funds	201,635	16,860	—	2,579	221,074
Total Governmental Activities	<u>1,382,442</u>	<u>194,564</u>	<u>—</u>	<u>11,527</u>	<u>1,588,533</u>
Business-Type Activities:					
Unemployment Compensation	—	—	5,493	—	5,493
Intergovernmental Receivable	<u>\$1,382,442</u>	<u>\$194,564</u>	<u>\$5,493</u>	<u>\$11,527</u>	<u>\$1,594,026</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government and its discretely presented component units, as of June 30, 2003, are detailed in the following tables (dollars in thousands).

Primary Government — Loans Receivable

	Governmental Activities				
	Major Governmental Funds			Nonmajor Govern- mental Funds	Total Primary Government
Loan Program	General	Education	Highway Operating		
School District Solvency Assistance.....	\$ 9,201	\$ —	\$ —	\$ —	\$ 9,201
Vocational Education.....	209	59	—	—	268
Wayne Trace Local School District.....	4,838	—	—	—	4,838
Vocational School Assistance	—	8,341	—	—	8,341
Physician Loan Repayment.....	—	295	—	—	295
Nurses Education Assistance.....	—	285	—	—	285
Office of Minority Financial Incentives	1,681	—	—	—	1,681
Rail Development.....	—	—	—	3,668	3,668
Office of Business Development	—	—	—	303,482	303,482
Ohio Housing Finance Agency	—	—	—	237,787	237,787
Small Government Fire Departments	329	—	—	—	329
Higher Education Research Investment Loans	—	—	—	1,316	1,316
Highway, Transit, & Aviation Infrastructure Bank ..	—	—	63,695	—	63,695
Natural Resources.....	—	—	—	86	86
Local Infrastructure Improvements	—	—	—	226,337	226,337
Columbiana County Economic Stabilization	1,806	—	—	—	1,806
State Workforce Development.....	6,678	—	—	—	6,678
Professional Development	742	—	—	—	742
Loans Receivable, Gross	25,484	8,980	63,695	772,676	870,835
Estimated Uncollectible	(730)	—	—	(22,267)	(22,997)
Loans Receivable, Net	<u>\$24,754</u>	<u>\$8,980</u>	<u>\$63,695</u>	<u>\$750,409</u>	<u>\$847,838</u>
Current-Due Within One Year	\$ 9,809	\$1,788	\$ 5,661	\$102,170	\$119,428
Noncurrent-Due in More Than One Year.....	14,945	7,192	58,034	648,239	728,410
Loans Receivable, Net	<u>\$24,754</u>	<u>\$8,980</u>	<u>\$63,695</u>	<u>\$750,409</u>	<u>\$847,838</u>

Component Units — Loans Receivable

Loan Program	Ohio Water Development Authority (12/31/02)	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
Water and Wastewater Treatment (including restricted portion)	\$21,664	\$ —	\$ —	\$ —	\$ 21,664
Student.....	—	70,571	35,185	122,640	228,396
Other	—	—	590	1,409	1,999
Loans Receivable, Gross	21,664	70,571	35,775	124,049	252,059
Estimated Uncollectible	—	(11,155)	(4,411)	(10,204)	(25,770)
Loans Receivable, Net	<u>\$21,664</u>	<u>\$59,416</u>	<u>\$31,364</u>	<u>\$113,845</u>	<u>\$226,289</u>
Current-Due Within One Year	\$ 1,450	\$10,400	\$ 3,292	\$ 20,899	\$ 36,041
Noncurrent-Due in More Than One Year.....	20,214	49,016	28,072	92,946	190,248
Loans Receivable, Net	<u>\$21,664</u>	<u>\$59,416</u>	<u>\$31,364</u>	<u>\$113,845</u>	<u>\$226,289</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

Other receivables for the primary government and its discretely presented components, as of June 30, 2003, consisted of the following (dollars in thousands).

Primary Government — Other Receivables

Type of Receivable	Governmental Activities						Total
	Major Governmental Funds					Nonmajor Governmental Funds	
	General	Job, Family & Other Human Services	Education	Highway Operating	Revenue Distribution		
Accounts	\$ 4,036	\$ —	\$1,114	\$1,107	\$—	\$10,062	\$ 16,319
Drug Manufacturers' Rebates	202,770	—	—	—	—	—	202,770
Women, Infants and Children Program Rebates	—	—	—	—	—	12,051	12,051
Health Facility Bed Assessments	—	39,407	—	—	—	—	39,407
Interest	1,438	94	28	716	39	3,196	5,511
Leases	—	—	—	—	—	1,662	1,662
Miscellaneous	18,877	2,311	—	—	—	254	21,442
Other Receivables, Net-Due Within One Year	<u>\$227,121</u>	<u>\$41,812</u>	<u>\$1,142</u>	<u>\$1,823</u>	<u>\$39</u>	<u>\$27,225</u>	<u>\$299,162</u>
Type of Receivable	Unemployment Compensation						Total
	Workers' Compensation	Lottery Commission	Ohio Building Authority	Office of Auditor of State	Other Proprietary Funds		
Accounts	\$785,812	\$ —	\$63,689	\$ 904	\$8,555	\$1,179	\$860,139
Interest and Dividends (including restricted portion)	87,570	2,815	—	846	—	2	91,233
Leases	—	—	—	18,565	—	—	18,565
Lottery Sales Agents	—	45,592	—	—	—	—	45,592
Miscellaneous	—	—	—	—	—	32	32
Other Receivables, Gross	873,382	48,407	63,689	20,315	8,555	1,213	1,015,561
Estimated Uncollectible	(600,274)	(456)	(55,197)	—	(30)	—	(655,957)
Other Receivables, Net	<u>\$273,108</u>	<u>\$47,951</u>	<u>\$ 8,492</u>	<u>\$20,315</u>	<u>\$8,525</u>	<u>\$1,213</u>	<u>\$359,604</u>
Current-Due Within One Year	\$273,108	\$47,951	\$ 8,492	\$ 5,480	\$8,525	\$1,213	\$344,769
Noncurrent-Due in More Than One Year	—	—	—	14,835	—	—	14,835
Other Receivables, Net	<u>\$273,108</u>	<u>\$47,951</u>	<u>\$ 8,492</u>	<u>\$20,315</u>	<u>\$8,525</u>	<u>\$1,213</u>	<u>\$359,604</u>
Total Primary Government							<u>\$658,766</u>

Component Units — Other Receivables

Type of Receivable	Ohio Water Development Authority						Total Component Units
	School Facilities Commission	Ohio State University	University of Cincinnati	Other Component Units			
Accounts	\$ —	\$ —	\$425,938	\$22,565	\$174,908		\$623,411
Interest	365	—	15,752	5,825	5,395		27,337
Pledges	—	—	62,322	49,382	17,145		128,849
Miscellaneous	—	1,787	—	20,200	66,558		88,545
Other Receivables, Gross	365	1,787	504,012	97,972	264,006		868,142
Estimated Uncollectible	—	—	(159,892)	(2,217)	(31,725)		(193,834)
Other Receivables, Net	<u>\$365</u>	<u>\$1,787</u>	<u>\$344,120</u>	<u>\$95,755</u>	<u>\$232,281</u>		<u>\$674,308</u>
Current-Due Within One Year	\$365	\$ 12	\$300,621	\$60,479	\$223,816		\$585,293
Noncurrent-Due in More Than One Year	—	1,775	43,499	35,276	8,465		89,015
Other Receivables, Net	<u>\$365</u>	<u>\$1,787</u>	<u>\$344,120</u>	<u>\$95,755</u>	<u>\$232,281</u>		<u>\$674,308</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 5 RECEIVABLES (Continued)

The "Other Receivables" balance reported in the fiduciary funds in the amount of \$2.6 million is comprised of interest due, as of June 30, 2003.

Nonmajor governmental funds report leases receivable for direct financing agreements with local government for land and buildings under the Chapter 166 Direct Loan Program, which is administered by Ohio Department of Development's Office of Business Development.

Additionally, under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit reported in the proprietary funds, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

Future lease payments included under "Other Receivables" in governmental and business-type activities, net of executory costs, (dollars in thousands) are as follows:

Year Ending June 30,	Leases Receivable		
	Govern- mental Activities	Business- Type Activities	Total
2004	\$ 169	\$ 4,926	\$ 5,095
2005	169	4,923	5,092
2006	169	4,922	5,091
2007	169	4,860	5,029
2008	169	2,719	2,888
Thereafter ..	1,159	—	1,159
Total Minimum Lease Pay- ments.....	2,004	22,350	24,354
Amount for interest	(342)	(6,154)	(6,496)
Present Value of Net Mini- mum Lease Payments	1,662	16,196	17,858
Unearned Income.....	—	2,369	2,369
	<u>\$1,662</u>	<u>\$18,565</u>	<u>\$20,227</u>

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government and its discretely presented component units, as of June 30, 2003, follow (dollars in thousands).

Primary Government — Accrued Liabilities

	Wages	Health Benefit Claims	Accrued Interest	Vehicle Liability Claims	Total Accrued Liabilities
Governmental Activities:					
Major Governmental Funds:					
General.....	\$ 79,032	\$4,047	\$ —	\$ —	\$ 83,079
Job, Family and Other Human Services.....	9,517	435	—	—	9,952
Education	1,157	71	—	—	1,228
Highway Operating	15,347	455	—	—	15,802
Nonmajor Governmental Funds	27,274	1,237	318	—	28,829
	<u>132,327</u>	<u>6,245</u>	<u>318</u>	<u>—</u>	<u>138,890</u>
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences.....	—	—	96,822	2,686	99,508
Total Governmental Activities	<u>132,327</u>	<u>6,245</u>	<u>97,140</u>	<u>2,686</u>	<u>238,398</u>
Business-Type Activities:					
Ohio Building Authority.....	—	—	326	—	326
Tuition Trust Authority	74	—	—	—	74
Liquor Control.....	710	34	—	—	744
Underground Parking Garage	48	4	—	—	52
Office of Auditor of State	2,617	86	—	—	2,703
Total Business-Type Activities.....	<u>3,449</u>	<u>124</u>	<u>326</u>	<u>—</u>	<u>3,899</u>
Total Primary Government.....	<u>\$135,776</u>	<u>\$6,369</u>	<u>\$97,466</u>	<u>\$2,686</u>	<u>\$242,297</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 6 PAYABLES (Continued)

Primary Government — Accrued Liabilities (Continued)

	Wages	Health Benefit Claims	Management and Admini- strative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System				
Pension Trust (12/31/02).....	\$914	\$119	\$ —	\$1,033
Variable College Savings Plan				
Private-Purpose Trust	—	—	3,498	3,498
Total Fiduciary Activities.....	<u>\$914</u>	<u>\$119</u>	<u>\$3,498</u>	<u>\$4,531</u>

Component Units — Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
Major Component Units:				
School Facilities Commission.....	\$ 149	\$ —	\$ 12	\$ 161
Ohio Water Development Authority (12/31/02)...	—	6,910	—	6,910
Ohio State University.....	111,584	1,343	—	112,927
University of Cincinnati.....	62,586	2,697	—	65,283
Nonmajor Component Units.....	118,183	7,528	17,525	143,236
Total Component Units.....	<u>\$292,502</u>	<u>\$18,478</u>	<u>\$17,537</u>	<u>\$328,517</u>

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government and its discretely presented component units, as of June 30, 2003, are comprised of the following (dollars in thousands).

Primary Government — Intergovernmental Payable

	Local Government			Other State Govern- ments	Total
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government		
Governmental Activities:					
Major Governmental Funds:					
General.....	\$235,565	\$ 51,161	\$ —	\$ —	\$ 286,726
Job, Family and					
Other Human Services	—	232,861	283	—	233,144
Education	—	78,245	409	—	78,654
Highway Operating	—	3,758	—	—	3,758
Revenue Distribution	300,271	—	—	2,183	302,454
Nonmajor Governmental Funds	—	218,368	—	—	218,368
Total Governmental Activities.....	<u>535,836</u>	<u>584,393</u>	<u>692</u>	<u>2,183</u>	<u>1,123,104</u>
Business-Type Activities:					
Liquor Control.....	—	375	—	—	375
Total Business-Type Activities.....	<u>—</u>	<u>375</u>	<u>—</u>	<u>—</u>	<u>375</u>
Total Primary Government.....	<u>\$535,836</u>	<u>\$584,768</u>	<u>\$692</u>	<u>\$2,183</u>	<u>\$1,123,479</u>
Fiduciary Activities:					
Holding and Distribution Agency Fund	\$ —	\$ —	\$1,934	\$7,313	\$ 9,247
Payroll Withholding					
and Fringe Benefits Agency Fund	—	359	—	—	359
Other Agency Fund	53,017	4,188	—	—	57,205
Total Fiduciary Activities.....	<u>\$53,017</u>	<u>\$4,547</u>	<u>\$1,934</u>	<u>\$7,313</u>	<u>\$66,811</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 6 PAYABLES (Continued)

Component Units — Intergovernmental Payable

	Local Government		Federal Arbitrage	Total
	Subsidies to Local Government	Other		
Major Component Units:				
School Facilities Commission	\$2,133,542	\$ —	\$ —	\$ 2,133,542
Ohio Water Development Authority (12/31/02)	—	—	2,240	2,240
University of Cincinnati	—	379	—	379
Nonmajor Component Units	—	388	—	388
	2,133,542	767	2,240	2,136,549
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements ...	(2,133,542)	—	—	(2,133,542)
Total Component Units	\$ —	\$767	\$2,240	\$ 3,007

C. Refund and Other Liabilities

Refund and other liabilities for the primary government and its discretely presented component units, as of June 30, 2003, were comprised of the following (dollars in thousands).

Primary Government — Refund and Other Liabilities

	Estimated Tax Refund Claims			Interest on Lawyers' Trust Accounts	Other	Total
	Personal Income Tax	Corporation Franchise Tax	Total Tax Refund Liabilities			
Governmental Activities:						
Major Governmental Funds:						
General	\$500,777	\$174,729	\$675,506	\$ —	\$ 34	\$675,540
Job, Family and Other Human Services	—	—	—	7,245	2,031	9,276
Revenue Distribution	64,766	5,623	70,389	—	—	70,389
Nonmajor Governmental Funds	—	—	—	—	11,285	11,285
	565,543	180,352	745,895	7,245	13,350	766,490
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences	—	—	—	—	5,671	5,671
Total Governmental Activities	\$565,543	\$180,352	\$745,895	\$7,245	\$19,021	\$772,161
	Reserve for Compensation Adjustment	Refund & Security Deposits	Compensated Absences	Capital Leases	Other	Total
Business-Type Activities:						
Workers' Compensation	\$1,673,704	\$82,991	\$22,015	\$ —	\$110,024	\$1,888,734
Lottery Commission	—	—	2,376	44,122	26,783	73,281
Unemployment Compensation	—	10,545	—	—	—	10,545
Ohio Building Authority	—	—	109	—	—	109
Tuition Trust Authority	—	—	138	—	462	600
Liquor Control	—	—	2,879	—	837	3,716
Underground Parking Garage	—	—	117	—	—	117
Office of Auditor of State	—	48	7,193	29	7,863	15,133
	1,673,704	93,584	34,827	44,151	145,969	1,992,235
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,673,704)	(82,991)	(34,580)	(44,151)	(83,404)	(1,918,830)
Total Business-Type Activities	\$ —	\$10,593	\$ 247	\$ —	\$ 62,565	\$ 73,405



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 6 PAYABLES (Continued)

Primary Government — Refund and Other Liabilities (Continued)

	Child Support Collections	Refund & Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement						
System Pension Trust (12/31/02) ..	\$ —	\$ —	\$ —	\$ —	\$ 50	\$ 50
STAR Ohio Investment Trust	—	—	—	—	409	409
Agency Funds	113,739	477,508	97,467	110,456,320	38,867	111,183,901
Total Fiduciary Activities	<u>\$113,739</u>	<u>\$477,508</u>	<u>\$97,467</u>	<u>\$110,456,320</u>	<u>\$39,326</u>	<u>\$111,184,360</u>

Component Units — Refund and Other Liabilities

	Refund & Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Major Component Units:						
School Facilities Commission	\$ —	\$ 411	\$ —	\$ —	\$ —	\$ 411
Ohio Water Development						
Authority (12/31/02)	—	177	—	—	—	177
Ohio State University	80,283	64,541	17,723	48,485	29,080	240,112
University of Cincinnati	30,627	58,465	135,262	—	1,720	226,074
Nonmajor Component Units	42,398	97,346	48,205	2,514	54,762	245,225
	153,308	220,940	201,190	50,999	85,562	711,999
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(89,510)	(217,875)	(201,190)	(50,999)	(56,667)	(616,241)
Total Component Units	<u>\$63,798</u>	<u>\$ 3,065</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$28,895</u>	<u>\$ 95,758</u>



**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

A. Interfund Balances

Interfund balances, as of June 30, 2003, consisted of the following (dollars in thousands):

Due from	Due to				
	Governmental Activities				
	Major Governmental Funds				
	General	Job, Family and Other Human Services	Education	Nonmajor Governmental Funds	Total
Major Governmental Funds:					
General	\$ —	\$ 6	\$ 3	\$ 2,905	\$ 2,914
Job, Family and Other Human Services	—	—	—	—	—
Education	—	—	—	—	—
Highway Operating	—	—	—	—	—
Revenue Distribution	—	—	—	56	56
Nonmajor Governmental Funds	244,400	—	—	350	244,750
Total Governmental Activities	244,400	6	3	3,311	247,720
Business-Type Activities:					
Lottery Commission	—	—	—	—	—
Liquor Control	1,234	—	—	—	1,234
Underground Parking Garage	—	—	—	—	—
Total Business-Type Activities	1,234	—	—	—	1,234
Total Primary Government	\$245,634	\$ 6	\$ 3	\$ 3,311	\$248,954

Due from	Business-Type Activities			
	Workers' Compensation	Office of Auditor of State	Total	Total Primary Government
Major Governmental Funds:				
General	\$548,432	\$9,208	\$557,640	\$ 560,554
Job, Family and Other Human Services	15,012	—	15,012	15,012
Education	3,033	—	3,033	3,033
Highway Operating	94,662	—	94,662	94,662
Revenue Distribution	—	—	—	56
Nonmajor Governmental Funds	113,082	—	113,082	357,832
Total Governmental Activities	774,221	9,208	783,429	1,031,149
Business-Type Activities:				
Lottery Commission	4,533	—	4,533	4,533
Liquor Control	2,474	—	2,474	3,708
Underground Parking Garage	224	—	224	224
Total Business-Type Activities	7,231	—	7,231	8,465
Total Primary Government	\$781,452	\$9,208	\$790,660	\$1,039,614

Interfund balances result from the time lag between dates that 1.) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made.

Included in the interfund balances above is \$244.4 million due to the General Fund from the nonmajor governmental funds for interfund loans made to support housing programs at the Ohio Housing Finance Agency, which is accounted for in the Community and Economic Development Special Revenue Fund. Of the total interfund loan balance, ap-

proximately \$214.3 million is not expected to be collected in the subsequent fiscal year.

Additionally, the State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$781.5 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling \$774.2 million in the internal balance reported for governmental activities.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

B. Interfund Transfers

Interfund transfers, for the year ended of June 30, 2003, consisted of the following (dollars in thousands):

Transferred from	Transferred to						
	Governmental Activities						
	Major Governmental Funds						Nonmajor Govern- mental Funds
	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Total	
Major Governmental Funds:							
General.....	\$ —	\$ 8,428	\$ 9,600	\$ 76	\$ 1,786	\$ 901,580	\$ 921,470
Job, Family and Other Human Services.....	31,563	—	1,500	—	—	—	33,063
Education.....	35,872	2	—	—	—	—	35,874
Highway Operating.....	10,457	—	—	—	—	258,296	268,753
Revenue Distribution.....	104,764	—	—	524,003	—	198,953	827,720
Nonmajor Governmental Funds.....	324,368	938	—	—	—	12,284	337,590
Total Governmental Activities.....	507,024	9,368	11,100	524,079	1,786	1,371,113	2,424,470
Business-Type Activities:							
Workers' Compensation.....	7,909	—	—	—	—	—	7,909
Lottery Commission.....	189	—	641,352	—	—	—	641,541
Unemployment Compensation.....	—	9,907	—	—	—	—	9,907
Ohio Building Authority.....	—	—	—	—	—	27,874	27,874
Liquor Control.....	115,000	—	—	—	—	23,539	138,539
Underground Parking Garage.....	—	—	—	—	—	757	757
Office of Auditor of State.....	—	—	—	—	—	—	—
Total Business-Type Activities.....	123,098	9,907	641,352	—	—	52,170	826,527
Total Primary Government.....	\$630,122	\$19,275	\$652,452	\$524,079	\$1,786	\$1,423,283	\$3,250,997
	Business-Type Activities						
	Unemploy- ment Compen- sation	Ohio Building Authority	Liquor Control	Office of Auditor of State	Total	Total Primary Govern- ment	
Major Governmental Funds:							
General.....	\$ —	\$27,874	\$ —	\$41,917	\$69,791	\$991,261	
Job, Family and Other Human Services.....	881	—	—	—	881	33,944	
Education.....	—	—	—	—	—	35,874	
Highway Operating.....	—	—	—	—	—	268,753	
Revenue Distribution.....	—	—	—	—	—	827,720	
Nonmajor Governmental Funds.....	—	—	—	—	—	337,590	
Total Governmental Activities.....	881	27,874	—	41,917	70,672	2,495,142	
Business-Type Activities:							
Workers' Compensation.....	—	—	—	—	—	7,909	
Lottery Commission.....	—	—	—	—	—	641,541	
Unemployment Compensation.....	—	—	—	—	—	9,907	
Ohio Building Authority.....	—	—	—	—	—	27,874	
Liquor Control.....	—	—	—	—	—	138,539	
Underground Parking Garage.....	—	—	—	—	—	757	
Office of Auditor of State.....	—	—	—	—	—	—	
Total Business-Type Activities.....	—	—	—	—	—	826,527	
Total Primary Government.....	\$881	\$27,874	\$ —	\$41,917	\$70,672	\$3,321,669	

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts to the debt

service fund as debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

C. Component Units

For fiscal year 2003, the component units reported \$2.38 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary and Other Education" expenses reported for governmental activities, is funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the SchoolNet Commission for the acquisition of computers to benefit local schools.

Additionally, the primary government provided financial support to the colleges and universities in the

form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Finally, "Community and Economic Development" expenses reported for governmental activities includes amounts that the primary government provided to the Arts and Sports Facilities Commission for its capital construction projects.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

	Payable to Component Units	Program Expenses for State Assistance to Component Units			
		Primary, Secondary and Other Education Function	Higher Education Support Function	Community and Economic Development Function	Total State Assistance to Component Units
Primary Government					
Major Governmental Funds:					
General.....	\$ 7,127	\$491,879	\$1,660,050	\$20,200	\$2,172,129
Job, Family and Other Human Services	694	—	—	—	—
Education	—	—	—	—	—
Highway Operating	137	—	—	—	—
Nonmajor Governmental Funds	17,604	10,804	199,453	—	210,257
	25,562	502,683	1,859,503	20,200	\$2,382,386
Reconciliation of balances included in the "Payable to Component Units" balance in the government-wide financial statements	512	2	—	1	3
Total Governmental Activities.....	\$26,074	\$502,685	\$1,859,503	\$20,201	\$2,382,389
	Receivable from Primary Government	Total State Assistance From the Primary Government			
Component Unit					
Major Governmental Component Unit:					
School Facilities Commission.....	\$ —	\$ 460,804			
Nonmajor Governmental Component Units:					
Arts and Sports Facilities Commission	—	20,200			
SchoolNet Commission	387	41,879			
	387	522,883			
Reconciling Items to Balance with Government-wide Financial Statements:					
Arts and Sports Facilities Commission	7	1			
SchoolNet Commission	505	2			
	899	522,886			
Other Major Component Units:					
Ohio State University	7,135	494,241			
University of Cincinnati	379	219,263			
Other Nonmajor Component Units	17,661	1,145,999			
	25,175	1,859,503			
Total Component Units.....	\$26,074	\$2,382,389			



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 CAPITAL ASSETS

Capital asset activity reported for the primary government and its discretely presented component units, for the year ended June 30, 2003, was as follows (dollars in thousands):

	Primary Government		
	Balance July 1, 2002	Increases	Decreases
			Balance June 30, 2003
Governmental Activities:			
Capital Assets Not Being Depreciated:			
Buildings	\$ 47,780	\$ 6,822	\$ —
Land	1,479,858	59,324	(8,224)
Land Improvements	930	—	—
Construction-in-Progress	1,302,502	781,575	(422,532)
Infrastructure:			
Highway Network:			
General Subsystem	8,049,949	9,127	—
Priority Subsystem	6,351,727	224,205	(5,304)
Bridge Network	2,223,044	32,523	—
Total Capital Assets Not Being Depreciated	19,455,790	1,113,576	(436,060)
Other Capital Assets:			
Buildings	2,881,142	87,979	(2,705)
Land Improvements	194,699	31,976	(1,709)
Machinery and Equipment	361,693	83,264	(15,621)
Vehicles	219,094	29,639	(18,482)
Infrastructure:			
Parks, Recreation and Natural Resources Network	14,686	8,956	(5,079)
Total Other Capital Assets at historical cost	3,671,314	241,814	(43,596)
Less Accumulated Depreciation for:			
Buildings	1,042,555	85,012	(2,249)
Land Improvements	108,422	8,790	(1,428)
Machinery and Equipment	258,862	41,908	(13,187)
Vehicles	98,017	19,822	(12,922)
Infrastructure:			
Parks, Recreation and Natural Resources Network	24	703	—
Total Accumulated Depreciation	1,507,880	156,235	(29,786)
Other Capital Assets, Net	2,163,434	85,579	(13,810)
Governmental Activities- Capital Assets, Net	\$21,619,224	\$1,199,155	\$(449,870)
			\$22,368,509

For fiscal year 2003, the State charged depreciation expense to the following governmental functions:

Governmental Activities:	
Primary, Secondary and Other Education	\$ 1,545
Higher Education Support	15
Public Assistance and Medicaid	3,027
Health and Human Services	24,313
Justice and Public Protection	54,151
Environmental Protection and Natural Resources	11,423
Transportation	23,291
General Government	35,810
Community and Economic Development	2,660
Total Depreciation Expense for Governmental Activities	\$156,235



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 CAPITAL ASSETS (Continued)

	Primary Government		
	Balance July 1, 2002	Increases	Decreases
			Balance June 30, 2003
Business-Type Activities:			
Capital Assets Not Being Depreciated:			
Land.....	\$ 12,631	\$ —	\$ 12,631
Construction-in-Progress	8,827	4,640	956
Total Capital Assets Not Being Depreciated	21,458	4,640	13,587
Other Capital Assets:			
Buildings	243,473	13,255	256,728
Land Improvements	66	—	66
Machinery and Equipment	171,116	5,778	163,335
Vehicles	4,927	648	4,852
Total Other Capital Assets at historical cost	419,582	19,681	424,981
Less Accumulated Depreciation for:			
Buildings	107,407	8,210	115,617
Land Improvements	47	1	48
Machinery and Equipment	92,775	24,821	108,536
Vehicles	2,473	589	2,459
Total Accumulated Depreciation	202,702	33,621	226,660
Other Capital Assets, Net	216,880	(13,940)	198,321
Business-Type Activities- Capital Assets, Net	\$238,338	\$(9,300)	\$211,908

For fiscal year 2003, the State charged depreciation expense to the following business-type functions:

Business-Type Activities:	
Workers' Compensation	\$18,565
Lottery Commission	15,178
Tuition Trust Authority	129
Liquor Control	229
Underground Parking Garage	539
Office of Auditor of State	2,988
Total Depreciation Expense for Business-Type Activities	37,628
Losses on Capital Asset Disposals Included in Depreciation ...	(4,007)
Fiscal Year 2003 Increases to Accumulated Depreciation	\$33,621

	Component Units		
	Balance July 1, 2002 (as restated)	Increases	Decreases
			Balance June 30, 2003
Capital Assets Not Being Depreciated:			
Land:			
Ohio State University	\$ 37,654	\$ 4,371	\$ 42,025
University of Cincinnati	17,912	50	17,962
All Other Component Units	191,805	3,420	194,555
Total Land	247,371	7,841	254,542
Land Improvements:			
All Other Component Units	15,104	1,695	16,799
Total Land Improvements	15,104	1,695	16,799

(Continued)



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 CAPITAL ASSETS (Continued)

	Component Units (Continued)			
	Balance July 1, 2002 (as restated)	Increases	Decreases	Balance June 30, 2003
Construction-in-Progress:				
Ohio State University	104,309	141,450	(8,116)	237,643
University of Cincinnati	141,788	114,529	—	256,317
All Other Component Units	369,070	230,092	(374,869)	224,293
Total Construction-in-Progress	615,167	486,071	(382,985)	718,253
Collections of Works of Art and Historical Treasures:				
University of Cincinnati	4,264	315	—	4,579
All Other Component Units	18,178	758	(3)	18,933
Total Collections of Works of Art and Historical Treasures	22,442	1,073	(3)	23,512
Total Capital Assets Not Being Depreciated	900,084	496,680	(383,658)	1,013,106
Other Capital Assets:				
Buildings:				
Ohio State University	2,085,107	60,372	(4,105)	2,141,374
University of Cincinnati	1,039,424	78,941	(40,153)	1,078,212
All Other Component Units	3,642,550	353,913	(12,202)	3,984,261
Total Buildings	6,767,081	493,226	(56,460)	7,203,847
Land Improvements:				
Ohio State University	180,291	1,668	—	181,959
University of Cincinnati	21,591	215	—	21,806
All Other Component Units	126,231	4,649	—	130,880
Total Land Improvements	328,113	6,532	—	334,645
Machinery, Equipment and Vehicles:				
Ohio State University	680,175	62,482	(86,782)	655,875
University of Cincinnati	132,943	17,514	(9,002)	141,455
All Other Component Units	817,234	100,559	(44,492)	873,301
Total Machinery, Equipment and Vehicles	1,630,352	180,555	(140,276)	1,670,631
Library Books and Publications:				
Ohio State University	159,763	3,427	(4,718)	158,472
University of Cincinnati	109,789	9,050	(1,165)	117,674
All Other Component Units	360,264	16,379	(3,682)	372,961
Total Library Books and Publications	629,816	28,856	(9,565)	649,107
Infrastructure:				
University of Cincinnati	54,633	207	—	54,840
All Other Component Units	273,035	56,611	(1)	329,645
Total Infrastructure	327,668	56,818	(1)	384,485
Total Other Capital Assets at historical cost	9,683,030	765,987	(206,302)	10,242,715

(Continued)



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 CAPITAL ASSETS (Continued)

	Component Units (Continued)		
	Balance July 1, 2002 (as restated)	Increases	Decreases
Less Accumulated Depreciation for:			
Buildings:			
Ohio State University	801,423	63,618	(1)
University of Cincinnati	390,250	35,411	(25,331)
All Other Component Units	1,536,643	99,007	(8,775)
Total Buildings	2,728,316	198,036	(34,107)
Land Improvements:			
Ohio State University	96,382	8,033	—
University of Cincinnati	4,549	999	—
All Other Component Units	55,453	5,637	—
Total Land Improvements	156,384	14,669	—
Machinery, Equipment and Vehicles:			
Ohio State University	467,572	60,766	(77,099)
University of Cincinnati	91,905	12,138	(9,389)
All Other Component Units	547,049	73,540	(39,877)
Total Machinery, Equipment and Vehicles	1,106,526	146,444	(126,365)
Library Books and Publications:			
Ohio State University	119,108	8,191	—
University of Cincinnati	70,807	5,963	(1,165)
All Other Component Units	228,107	18,086	(2,903)
Total Library Books and Publications	418,022	32,240	(4,068)
Infrastructure:			
University of Cincinnati	32,384	2,878	—
All Other Component Units	109,211	12,414	(1)
Total Infrastructure	141,595	15,292	(1)
Total Accumulated Depreciation	4,550,843	406,681	(164,541)
Other Capital Assets, Net	5,132,187	359,306	(41,761)
Component Units- Capital Assets, Net	<u>\$6,032,271</u>	<u>\$855,986</u>	<u>\$(425,419)</u>

For fiscal year 2003, depreciation expense for the State's component units was as follows:

Component Units:

School Facilities Commission	\$ 15
Ohio Water Development Authority (for the year ended 12/31/02)	255
Ohio State University	140,608
University of Cincinnati	57,389
Other Component Units	212,862
Total Depreciation Expense for Component Units	411,129
Net Gains/(Losses) on Capital Asset Disposals Included in Depreciation	(4,448)
Fiscal Year 2003 Increases to Accumulated Depreciation	<u>\$406,681</u>



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, defined benefit multiple-employer public employee retirement plan, and, beginning January 1, 2003, includes a defined contribution plan, and a combined plan that includes features of both the defined benefit plan and the defined contribution plan.

OPERS benefits are established under Chapter 145, Ohio Revised Code. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five years of total service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers (who must participate in the defined benefit plan), college and university employees who choose to participate in one of their university's alternative retirement plans (see NOTE 9D.), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit and prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Regular employees who participate in the defined benefit plan or the combined plan may retire after 30 years of credited service regardless of age, at age 55 or after with 25 years of credited service, or at age 60 or after with five years of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 48 with 25 or more years of credited service. Employees who participate in the defined contribution plan may retire at age 55.

The retirement allowance for the defined benefit plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 1.0 percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

The retirement allowance for the defined contribution plan is based entirely on the proceeds of retirees' individual retirement plans. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Participants direct the investment of their accounts by selecting from nine professionally managed investment options.

Employer and employee required contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for fiscal year 2003, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees.....	8.50%	13.31%
Law Enforcement Employees..	10.10%	16.70%



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

Employer contributions required and made for the last three years for the defined benefit plan (and, for the year ended June 30, 2003, the combined plan) follow (dollars in thousands):

Primary Government		
For the Year Ended June 30,	Employer's Contribution for Regular Employees	Employer's Contribution for Law Enforcement Employees
2003	\$224,267	\$3,596
2002	228,637	3,646
2001	164,474	3,177

Component Units		
For the Year Ended June 30,	Employer's Contribution for Regular Employees	
2003	\$112,547	
2002	109,668	
2001	72,686	

Employer and employee contributions required and made for the fiscal year 2003 for the defined contribution program and the defined contribution part of the combined plan follow (dollars in thousands):

For the Fiscal Year Ended June 30, 2003		
	Employer's Contribution	Employee's Contribution
Primary Government:	\$530	\$1,137
Component Units:	448	879

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS.

Other Postemployment Benefits

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2003, employers paid 4.81 percent of their share into members' accounts. An employee's interest in the medical account for qualify-

ing healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after 10 years of service credit. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions are as follows (dollars in thousands):

Employers' Contribution For the Fiscal Year Ended June 30, 2003	
Primary Government:	\$300
Component Units:	253

All age and service retirees who are members of the defined benefit or combined plans with 10 or more years of service credit qualify for healthcare coverage under OPERS. Members hired after January 1, 2003 with no prior service credit vest according to length of service. Members with 10 years of service credit have a 25 percent vested interest. Vested interest increases with service credit until members attain a 100 percent vested interest after reaching 30 years of service credit. Members hired after January 1, 2003 can also choose various coverage options.

Healthcare coverage for disability recipients and primary survivor recipients is also available to members of the defined benefit and combined plans. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For fiscal year 2003, the portion of the employer rate that is used to fund healthcare is 5.0 percent of covered payroll for law enforcement and regular employees. Employees do not fund any portion of healthcare costs.

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal cost method. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2001 (the latest information available), include a rate of return on investments of 8.0 percent, an annual increase in total payroll for active employees of 4.0 percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Healthcare premiums were assumed to increase 4.0 percent annually.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net assets available for payment of benefits at December 31, 2001 were \$11.6 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

The State's actuarially required and actual contributions for the defined benefit plan and the defined benefit portion of the combined plan are as follows (dollars in thousands):

Primary Government:	
(for the fiscal year ended June 30, 2003)	
Regular Employees	\$134,938
Law Enforcement Employees	1,537
Total.....	<u>\$136,475</u>
Component Units:	
(for the fiscal year ended June 30, 2003).	
	<u>\$67,718</u>

The number of active contributing participants for the primary government was 59,831, as of June 30, 2003.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, defined benefit multiple-employer public employee retirement plan, which includes a defined contribution plan, and a combined plan that includes features of both the defined benefit plan and the defined contribution plan.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" calculation, the "money-purchase benefit" calculation, or the "partial lump-sum option plan."

Under the "formula benefit" calculation, the retirement allowance is based on years of credited ser-

vice and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31st year of Ohio service. For teachers with 35 or more years of earned service, the annual allowance is determined by multiplying the final average salary by 2.5 percent for the first 31 years of service.

Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

Retirees can also choose a "partial lump-sum" option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001 may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan. Participants in the defined contribution plan are eligible to retire at age 50. Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from nine professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60. The annual allowance is determined by multiplying the final average salary by 1.0 percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

as a lump sum or as a lifetime monthly annuity at age 50.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans. STRS benefits are established under Chapter 3307, Ohio Revised Code.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and 10 percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2003 were 14 percent for employers and 9.3 percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund pension obligations is the percentage used to fund the STRS healthcare program. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

Employer contributions required and made for the last three years to the defined benefit plan (and, for the year ended June 30, 2003, the defined benefit part of the combined plan) are as follows (dollars in thousands):

For the Year Ended June 30,	Primary Government	Component Units
2003	\$7,248	\$128,174
2002	5,420	88,184
2001	5,177	93,410

Employer and employee contributions required and made for fiscal year 2003 for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

For the Fiscal Year Ended June 30, 2003

	Employer's Contribution	Employee's Contribution
Primary Government:	\$ 96	\$ 138
Component Units:	2,224	2,734

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling 1-888-227-7877.

Other Postemployment Benefits

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans. Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to 1.0 percent of covered payroll are allocated to pay for healthcare benefits.

Retirees enrolled in the defined contribution plan receive no postemployment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2002 (the most recent information available), net assets available for future healthcare benefits were \$3.0 billion. Net healthcare costs paid by the primary government and its component units, for the year ended June 30, 2003, totaled approximately \$557 thousand and \$9.86 million, respectively. The number of eligible benefit recipients for STRS as a whole was 105,300, as of June 30, 2002; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2003, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)

Pension Benefits

SHPRS, a component unit of the State, was established in 1944 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Boulevard, Suite 119, Columbus, Ohio 43229-2553, or by calling (614) 431-0781 or 1-800-860-2268.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. Chapter 5505, Ohio Revised Code, also requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate nor be less than the employee's contribution rate.

Contribution rates for calendar year 2002 are as follows:

Contribution Rates	
Employee Share	Employer Share
9.50%	23.50%

During calendar year 2002, all of the employees' contributions funded pension benefits while 18.75 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value. Corporate bonds are valued at the median price by the brokerage firms.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments is based on independent appraisals. For ac-

tuarial purposes, assets are valued with a method that amortizes each year's investment gain or loss over a closed, four-year period.

The employer's annual pension costs for the last three calendar years are as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2002	\$15,393	100%
2001	13,765	100%
2000	11,686	100%

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2002. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an 8.0 percent rate of return on investments; projected salary increase of 4.0 percent attributable to inflation and additional projected salary increases ranging from .3 percent to 3.7 percent a year attributable to seniority and merit; price inflation was assumed to be at least 3.0 percent a year; and postretirement increases each year equal to 3.0 percent after the retiree reaches age 53.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 32 years.

The Schedule of Funding Progress for the last three years is presented in the table on the following page. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.

Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 2002, was 1,548. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2002 expense was \$7.0 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected healthcare premiums would increase at a rate of 4.0 percent,



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

SHPRS Schedule of Funding Progress
Last Three Calendar Years
(dollars in thousands)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2002 (a)	\$663,070	\$527,604	\$135,466	79.6%	\$78,997	171.5%
2002	668,606	492,431	176,175	73.7	78,997	223.0
2001	636,715	551,279	85,436	86.6	76,344	111.9
2000 (a)	594,223	570,040	24,183	95.9	69,028	35.0
2000	607,411	570,040	37,371	93.8	69,028	54.1

(a) Change in assumption or method.

compounded annually, due to inflation, was also used in the valuation. Net assets available for benefits allocated to healthcare costs at December 31, 2002 were \$88.5 million, and included investments carried at fair value, as previously described.

As of December 31, 2002, the unfunded actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$73.6 million; the actuarial accrued liability for healthcare benefits at that date was \$162.1 million.

Employer contributions are made in accordance with actuarially determined requirements. The employer contribution requirement was approximately \$3.9 million or 4.75 percent of active member payroll for the period, January 1 through December 31, 2002.

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or OPERS. Classified civil service employees are not eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long

as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to STRS or OPERS would be transferred to the ARP. The Ohio Department of Insurance has designated eight companies as being eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Therefore, employees who would have otherwise been enrolled in STRS or OPERS would contribute 9.3 percent or 8.5 percent of their gross salaries', respectively. Employees may also voluntarily make additional contributions to the ARP.

Ohio law also requires each public institution of higher education contribute 3.5 percent of a participating employee's gross salary for the year ended June 30, 2003 to STRS in cases when the employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2003, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on STRS and OPERS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.



NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the eight investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions

and related investment income generated by each participant's choice of investment options.

Employer and employee contributions required and paid for the year ended June 30, 2003, totaled \$52.8 million and \$41.0 million, respectively.

NOTE 10 GENERAL OBLIGATION BONDS

The State has pledged its full faith and credit for the payment of principal and interest on general obligation bonds.

At various times since 1921, Ohio voters, by 17 constitutional amendments (the last adopted in November 2000 for land conservation purposes), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, and natural resources. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2003, the General Assembly had authorized the issuance of \$1.98 billion in Common Schools Capital Facilities Bonds, of which \$1.19 billion had been issued. As of June 30, 2003, the General Assembly had also authorized the issuance of \$1.80 billion in Higher Education Capital Facilities Bonds, of which \$1.10 billion had been issued.

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2003, the General Assembly had authorized the issuance of approximately \$1.35 billion in Highway Capital Improvements Bonds, of which \$1.14 billion had been issued.

Constitutional amendments in 1987 and 1995 allowed for the issuance of \$2.4 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds), of which no more than \$120 million may be issued in any fiscal year. As of June 30, 2003, the General Assembly had authorized \$2.04 billion of these bonds to be sold (excluding any

amounts for unaccrued discount on capital appreciation bonds at issuance), of which \$1.80 billion had been issued (net of \$214 million in unaccrued discounts at issuance).

A 1968 constitutional amendment authorized the issuance of Highway Obligations in amounts up to \$100 million in any calendar year, with no more than \$500 million in principal amount outstanding at any one time. The aggregate of General Assembly authorizations, as of June 30, 2003, for Highway Obligations, was approximately \$1.75 billion, all of which had been issued.

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2003, the General Assembly had authorized the issuance of \$150 million in Coal Research and Development Bonds, of which \$137 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$287 million, as of June 30, 2003 of which \$240 million had been issued.

During fiscal year 2002, the State issued \$50 million in Conservation Projects Bonds for the first time. Not more than \$50 million in Conservation Projects Bonds may be issued in a fiscal year and not more than \$200 million may be issued. As of June 30, 2003, the General Assembly had authorized the issuance of approximately \$100 million in Conservation Projects Bonds, of which \$50 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2003, are presented in the table on the following page.

For the year ended June 30, 2003, NOTE 15 summarizes changes in general obligation bonds.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

**Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2003**

(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2000-03	4.2%-5.4%	2023	\$1,158,993	\$ 793,000
Higher Education Capital Facilities	2000-03	3.9%-5.4%	2023	1,057,607	698,000
Highway Capital Improvements	1997-03	3.4%-5.0%	2013	747,739	215,000
Infrastructure Improvements	1990-03	2.0%-7.6%	2023	1,320,340	240,014
Highway Obligations	1994-97	4.5%-4.8%	2005	43,500	—
Coal Research and Development	1996-02	3.9%-5.0%	2013	41,428	13,000
Natural Resources Capital Facilities	1995-03	3.0%-5.6%	2018	185,214	47,000
Conservation Projects	2002	4.3%	2017	49,021	50,000
Total General Obligation Bonds				<u>\$4,603,842</u>	<u>\$2,056,014</u>

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2004	\$ 344,760	\$ 195,590	\$ 540,350
2005	333,225	181,172	514,397
2006	323,035	167,140	490,175
2007	322,915	153,595	476,510
2008	324,095	139,675	463,770
2009-2013	1,363,500	501,675	1,865,175
2014-2018	783,500	246,512	1,030,012
2019-2023	602,470	75,897	678,367
Total Current Interest and Capital Appreciation Bonds	<u>4,397,500</u>	<u>\$1,661,256</u>	<u>\$6,058,756</u>

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2004	—	\$ 1,974	\$ 5,330	\$ 7,304
2005	—	2,118	5,640	7,758
2006	—	2,118	5,640	7,758
2007	—	2,118	5,640	7,758
2008	—	2,118	5,640	7,758
2009-2013	8,055	10,402	15,132	33,589
2014-2018	173,515	6,789	9,598	189,902
2019-2023	44,730	739	2,613	48,082
Total Variable-Rate Bonds	<u>226,300</u>	<u>\$28,376</u>	<u>\$55,233</u>	<u>\$309,909</u>
Total General Obligation Bonds	4,623,800			
Unamortized Discount/ (Premium), Net	34,106			
Deferred Refunding Loss	(54,064)			
Total Carrying Amount	<u>\$4,603,842</u>			

For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the above interest and net swap payment amounts are based on rates, as of June 30, 2003. As rates vary, variable-rate bond interest payments and net swap payments vary.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

As of June 30, 2003, the outstanding balance reported for Infrastructure Improvement Bonds included approximately \$226.3 million in variable-rate bonds with interest-rate swaps.

The swap counterparty with 14.1 percent of the State's total swap portfolio is rated Aaa/AAA and the swap counterparty with 85.9 percent of the State's total swap portfolio is rated Aa3/A+. Each counterparty is required to pledge collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating the credit risk, and therefore, termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State would be liable to the counterparty for a payment at the swap's fair value. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No such credit events have occurred.

Other details on each variable-rate bond issue are discussed below.

Infrastructure Improvements-Series 2001B

In November 2001, the Treasurer of State entered into a floating-to-fixed knock-out swap to convert the Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates. This structure produced expected present value savings of approximately \$2 million versus a traditional fixed-rate bond structure.

The bonds and the related swap agreement mature on August 1, 2021, and the swap's notional amount of \$63.9 million matches the \$63.9 million variable-

rate bonds. The swap was entered into at the same time the bonds were issued in November 2001. Starting in fiscal year 2015, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the State pays the counterparty a fixed payment of 3.65 percent and receives a variable payment based on The Bond Market Association Municipal Swap Index™ (BMA). As of June 30, 2003, the BMA index rate was .98 percent while the variable-rate on the bonds was .90 percent. In the event, the 180-day average of the BMA index rate exceeds seven percent, the counterparty can knock-out (cancel) the swap. If the counterparty exercises its option to cancel, the State would be exposed to higher floating rates.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$9.5 million, as of June 30, 2003, based on quoted market prices. Consequently, the State was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. BMA is a proxy for the State's variable-rate debt.

Infrastructure Improvements-Refunding Series 2003B

In February 2003, the Treasurer of State entered into a floating-to-fixed swap to convert the Series 2003B variable-rate refunding bonds into a synthetic fixed rate through the escrow period that protects the State from rising interest rates. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings of \$8.4 million.

The swap's notional amount of \$104.3 million matches the \$104.3 million variable-rate bonds. The swap was entered into at the same time the bonds were issued in February 2003. The swap matures on August 1, 2008, and the Series 2003 variable-rate bonds mature on August 1, 2018. This mismatch in terms allows the State to increase its variable rate exposure after August 1, 2008, which is



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

consistent with its long-term asset/liability management policy objective.

Under the swap, the State pays the counterparty a fixed payment of 2.01 percent and receives a variable payment based on the actual bond rate. As of June 30, 2003, the variable-rate on the bonds was .95 percent.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$3.3 million, as of June 30, 2003, based on quoted market prices. Consequently, the State was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

*Infrastructure Improvements-
Refunding Series 2003D*

In March 2003, the Treasurer of State entered into a floating-to-fixed swap to convert the Series 2003D variable-rate refunding bonds into a synthetic fixed rate through the escrow period that protects the State from rising interest rates. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings of \$4.9 million.

The swap's notional amount of \$58.1 million matches the \$58.1 million variable-rate bonds. The swap was entered into at the same time the bonds were issued in March 2003. The swap matures on February 1, 2010, and the Series 2003 variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1, 2010, which is

consistent with its long-term asset/liability management policy objective.

Under the swap, the State pays the counterparty a fixed payment of 2.09 percent and receives a variable payment based on the actual bond rate. As of June 30, 2003, the variable-rate on the bonds was .95 percent.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$1.5 million, as of June 30, 2003, based on quoted market prices. Consequently, the State was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

During fiscal year 2003, the State defeased a number of general obligation bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an advance refunding represents the difference between the present values of the debt service payments on the old and new debt. Details on the advance refundings for fiscal year 2003 are presented in the table on the following page.

In prior years, the Treasurer of State defeased certain Infrastructure Improvement Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2003, \$32.5 million of Infrastructure Improvement Bonds are considered defeased and no longer outstanding.



NOTE 10 GENERAL OBLIGATION BONDS (Continued)

**Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2003**
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	Average Interest Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction in Debt Service Payments	Economic Gain Resulting from Refunding
Higher Education Facilities Series 2002C	11/21/02	\$ 54,975	5.42%	\$ 56,200	\$ 63,084	\$4,896 over next 12 years	\$ 3,015
Infrastructure Improvements Series 2002A	8/15/02	59,920	5.44%	60,450	66,598	\$3,220 over next 17 years	2,791
Infrastructure Improvements Series 2003A	2/1/03	233,585	4.86%	235,680	253,837	\$9,144 over next 13 years	7,206
Infrastructure Improvements Series 2003B & C	2/26/03	122,187 ^A	3.25% ^C	122,195	134,157	\$9,161 over next 15 years	8,437
Infrastructure Improvements Series 2003D & E	3/20/03	60,804 ^B	3.21% ^C	60,805	71,089	\$5,193 over next 16 years	4,961
Natural Resources Capital Facilities Series H	8/15/02	17,640	3.48%	16,760	18,029	\$1,152 over next 8 years	901
Total.....		<u>\$549,111</u>		<u>\$552,090</u>	<u>\$606,794</u>		<u>\$27,311</u>

^A Series B is comprised of \$11,630 in serial bonds and \$104,315 in term bonds; Series C is comprised of \$6,242 in capital appreciation bonds, net of unaccreted discount of \$19,673 at issuance.

^B Series D is comprised of \$58,085 in term bonds; Series E is comprised of \$2,719 in capital appreciation bonds, net of unaccreted discount of \$13,976 at issuance.

^C True interest cost rate.

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation, the Treasurer of State for the Ohio Department of Development's Office of Business Development, and the Ohio Department of Transportation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, the University of Cincinnati, and Kent State University.

A. Primary Government

Economic development bonds, issued by the Treasurer of State for the Office of Business Development's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the

State for economic development projects that create or retain jobs in the State. The taxable bonds are backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution.

Revitalization Project revenue bonds provide financing to enable the remediation or clean up of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. During fiscal year 2003, the Treasurer of State issued \$50 million in Revitalization Project bonds, which are also backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control.

Since fiscal year 1998, the Treasurer of State has issued a total of \$190 million in State Infrastructure Bank Bonds for various highway construction



NOTE 11 REVENUE BONDS AND NOTES (Continued)

**Primary Government
Revenue Bonds
As of June 30, 2003**
(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Governmental Activities:				
Treasurer of State:				
Economic Development	1997	6.9%-7.8%	2022	\$139,345
State Infrastructure Bank	1998-03	2.0%-5.0%	2010	256,856
Revitalization Project	2003	3.0%-5.0%	2018	54,397
Total Governmental Activities				450,598
Business-Type Activities:				
Bureau of Workers' Compensation	2003	1.6%-4.0%	2014	148,745
Ohio Building Authority	1986-97	4.8%-9.8%	2008	18,565
Total Business-Type Activities				167,310
Total Revenue Bonds				\$617,908

projects sponsored by the Department of Transportation. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds accounted for in business-type activities finance the costs of the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus and other office buildings and related facilities constructed by the OBA for shared use by local governments. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2003, are presented in the table at the top of the following page.

For the year ended June 30, 2003, NOTE 15 summarizes changes in revenue bonds. Future bond service requirements for revenue bonds of the primary government, as of June 30, 2003, are presented in the table below.

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series 1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately \$102 million in Series 1998

**Primary Government
Future Funding Requirements for Revenue Bonds
As of June 30, 2003**
(dollars in thousands)

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 46,575	\$ 24,115	\$ 70,690	\$ 3,730	\$ 7,390	\$ 11,120	\$ 50,305	\$ 31,505	\$ 81,810
2005	47,515	21,895	69,410	9,187	9,024	18,211	56,702	30,919	87,621
2006	48,500	19,488	67,988	17,511	8,551	26,062	66,011	28,039	94,050
2007	49,585	17,060	66,645	18,656	6,255	24,911	68,241	23,315	91,556
2008	50,750	14,468	65,218	17,695	5,386	23,081	68,445	19,854	88,299
2009-2013	93,810	46,163	139,973	79,605	15,451	95,056	173,415	61,614	235,029
2014-2018	60,195	26,118	86,313	15,200	751	15,951	75,395	26,869	102,264
2019-2023	37,840	6,074	43,914	—	—	—	37,840	6,074	43,914
	434,770	175,381	610,151	161,584	52,808	214,392	596,354	228,189	824,543
Net Unamortized Premium/(Discount)	15,828	—	15,828	11,023	—	11,023	26,851	—	26,851
Deferred Refunding Loss	—	—	—	(5,297)	—	(5,297)	(5,297)	—	(5,297)
Total	\$450,598	\$175,381	\$625,979	\$167,310	\$52,808	\$220,118	\$617,908	\$228,189	\$846,097



NOTE 11 REVENUE BONDS AND NOTES (Continued)

Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 2003, no obligation for the refunding bonds has been included in the financial statements.

During fiscal year 2003, the Bureau of Workers' Compensation issued \$142.5 million in revenue bonds through the Ohio Building Authority. The net refunding bond proceeds in the amount of \$152.8 million (after payment of \$1.3 million in bond issue costs and underwriter's discount) and \$10.3 million in existing debt service reserve moneys were placed with an escrow agent to defease *in substance* approximately \$160 million in principal and interest for the Series 1993A William Green Building revenue bonds.

The reacquisition price of the new debt exceeded the net carrying amount of the old debt by \$5.1 million, thus resulting in a deferred refunding loss that is amortized over the life of the new debt. Interest rates on the new bonds range from 1.6 to 4.0 percent compared to interest rates on the old bonds that ranged from 3.25 to 5.13 percent.

As a result of the refunding, the Bureau reduced its total debt service requirements by \$19.3 million and obtained an economic gain of \$8.9 million.

B. Component Units

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities. In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the

full replenishment of a bond reserve. As of December 31, 2002, approximately \$736.7 million in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 2002, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2003	\$ 37,315	\$ 37,729	\$ 75,044
2004	33,355	35,866	69,221
2005	34,925	34,010	68,935
2006	36,585	32,099	68,684
2007	37,950	30,156	68,106
2008-2012	212,225	119,473	331,698
2013-2017	205,885	63,015	268,900
2018-2022	129,375	17,249	146,624
2023-2027	5,985	150	6,135
	733,600	369,747	1,103,347
Net Unamortized Premium/(Discount).	7,131	—	7,131
Deferred Refunding Loss	(4,022)	—	(4,022)
Total	\$736,709	\$369,747	\$1,106,456

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of educational and student residence facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$107.4 million in bonds had adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31, 2002, the rates for \$100.4 million and \$7 million of the variable-rate bonds were 1.5 percent and 1.64 percent, respectively.

Future bond service requirements for revenue bonds and notes reported for the discretely presented component units, as of June 30, 2003, are presented in the table on the following page.



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Component Units
Future Funding Requirements for Revenue Bonds
As of June 30, 2003
(dollars in thousands)

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/02)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 105,895	\$ 80,411	\$ 186,306						
2004	110,790	75,222	186,012	\$343,471	\$ 13,220	\$356,691	\$ 35,407	\$ 24,850	\$ 60,257
2005	103,995	70,152	174,147	9,790	10,605	20,395	17,746	23,929	41,675
2006	102,390	65,019	167,409	9,462	10,235	19,697	21,121	23,178	44,299
2007	103,345	59,921	163,266	9,624	9,856	19,480	21,935	22,255	44,190
2008	—	—	—	12,085	9,452	21,537	20,705	21,221	41,926
2008-2012	446,680	230,409	677,089	—	—	—	—	—	—
2009-2013	—	—	—	52,865	39,476	92,341	101,360	91,297	192,657
2013-2017	374,670	121,195	495,865	—	—	—	—	—	—
2014-2018	—	—	—	39,434	27,541	66,975	113,989	64,137	178,126
2018-2022	237,865	38,628	276,493	—	—	—	—	—	—
2019-2023	—	—	—	34,165	17,389	51,554	91,405	34,950	126,355
2023-2027	34,635	2,881	37,516	—	—	—	—	—	—
2024-2028	—	—	—	27,780	9,708	37,488	64,574	14,623	79,197
2029-2033	—	—	—	21,955	2,051	24,006	23,420	2,080	25,500
	1,620,265	743,838	2,364,103	560,631	149,533	710,164	511,662	322,520	834,182
Net Unamortized Premium/(Discount)....	18,984	—	18,984	—	—	—	(1,886)	—	(1,886)
Deferred Refunding Loss	(24,285)	—	(24,285)	—	—	—	—	—	—
Total	\$1,614,964	\$743,838	\$2,358,802	\$560,631	\$149,533	\$710,164	\$509,776	\$322,520	\$832,296

Year Ending December 31 or June 30,	Kent State University			Other Component Units			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003							\$ 105,895	\$ 80,411	\$ 186,306
2004	\$ 1,815	\$ 11,946	\$ 13,761	\$ 56,635	\$ 36,575	\$ 93,210	548,118	161,813	709,931
2005	1,860	11,860	13,720	33,204	34,487	67,691	166,595	151,033	317,628
2006	1,715	11,771	13,486	33,181	33,050	66,231	167,869	143,253	311,122
2007	2,790	11,689	14,479	34,293	32,447	66,740	171,987	136,168	308,155
2008	2,720	11,543	14,263	32,552	31,004	63,556	68,062	73,220	141,282
2008-2012	—	—	—	—	—	—	446,680	230,409	677,089
2009-2013	22,290	55,399	77,689	164,369	129,047	293,416	340,884	315,219	656,103
2013-2017	—	—	—	—	—	—	374,670	121,195	495,865
2014-2018	40,515	47,432	87,947	146,190	87,626	233,816	340,128	226,736	566,864
2018-2022	—	—	—	—	—	—	237,865	38,628	276,493
2019-2023	52,290	35,858	88,148	97,866	55,630	153,496	275,726	143,827	419,553
2023-2027	—	—	—	—	—	—	34,635	2,881	37,516
2024-2028	67,495	22,018	89,513	91,443	31,513	122,956	251,292	77,862	329,154
2029-2033	80,900	7,395	88,295	91,469	11,515	102,984	217,744	23,041	240,785
	274,390	226,911	501,301	781,202	482,894	1,264,096	3,748,150	1,925,696	5,673,846
Net Unamortized Premium/(Discount)....	—	—	—	6,506	—	6,506	23,604	—	23,604
Deferred Refunding Loss	—	—	—	—	—	—	(24,285)	—	(24,285)
Total	\$274,390	\$226,911	\$501,301	\$787,708	\$482,894	\$1,270,602	\$3,747,469	\$1,925,696	\$5,673,165



NOTE 12 SPECIAL OBLIGATION BONDS

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments.

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and retardation institutions, and parks and recreation. Prior to September 14, 2000, when House Bill 640 became effective and reassigned the issuing authority for these obligations to the Treasurer of State, the Ohio Public Facilities Commission issued the Chapter 154 bonds.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of Education, finance the construction costs of capital facilities for local school districts.

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

Pledges of lease rental payments from appropriations made to the General Fund, Highway Safety and Highway Operating Special Revenue funds, and Underground Parking Garage Enterprise Fund, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2003, are presented in the table below.

For the year ended June 30, 2003, NOTE 15 summarizes changes in special obligation bonds.

**Primary Government-Governmental Activities
Special Obligation Bonds
As of June 30, 2003
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Ohio Building Authority	1986-03	2.0%-9.8%	2022	\$2,234,175	\$603,710
Treasurer of State:					
Chapter 154 Bonds:					
Higher Education Facilities	1994-03	3.2%-6.0%	2013	1,319,818	—
Mental Health Facilities	1993-03	3.1%-6.0%	2018	300,994	77,915
Parks and Recreation Facilities	1993-03	2.5%-5.5%	2017	106,392	48,100
Elementary and Secondary Education ...	1997-99	4.0%-5.6%	2008	132,235	—
Total Special Obligation Bonds				<u>\$4,093,614</u>	<u>\$729,725</u>



STATE OF OHIO
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Future special obligation debt service requirements, as of June 30, 2003, are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2004	\$ 463,570	\$ 197,051	\$ 660,621
2005	448,708	182,732	631,440
2006	438,569	159,911	598,480
2007	436,249	130,200	566,449
2008	420,640	109,380	530,020
2009-2013	1,312,735	307,924	1,620,659
2014-2018	470,855	81,860	552,715
2019-2023	90,289	7,514	97,803
	4,081,615	1,176,572	5,258,187
Net Unamortized Premium/ (Discount).....	76,446	—	76,446
Deferred Refunding Loss	(64,447)	—	(64,447)
Total	<u>\$4,093,614</u>	<u>\$1,176,572</u>	<u>\$5,270,186</u>

During fiscal year 2003, the OBA and the Treasurer of State defeased a number of special obligation

bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an advance refunding represents the difference between the present values of the debt service payments on the old and new debt. Details on the advance refundings for fiscal year 2003 are presented in the table below.

In prior years, the OBA and the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2003, \$379.3 million and \$567.4 million of OBA and Chapter 154 special obligation bonds, respectively, are considered defeased and no longer outstanding.

Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2003
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	Average Interest Rates of Refunding Bonds	Carrying Amount of Bonds Refunded <i>(in substance)</i>	Refunding Bond Proceeds Placed in Escrow	Reduction in Debt Service Payments	Economic Gain Resulting from Refunding
Ohio Building Authority:							
Adult Correctional Building 2002 Series B	9/27/02	\$ 90,560	3.7%	\$ 91,000	\$102,441	\$5,235 over next 14 years	\$ 4,064
Chapter 154 Bonds:							
Higher Education Facilities Series II-2002A	8/15/02	253,275	3.5%	260,300	276,854	\$7,218 over next 10 years	6,657
Mental Health Facilities Series II-2002B	8/15/02	38,065	3.1%	39,175	41,133	\$1,051 over next 8 years	896
Parks & Recreation Facilities Series II-2002B	8/15/02	9,675	2.5%	9,400	9,770	\$323 over next 5 years	331
Higher Education Facilities Series II-2003A	2/1/03	36,065	3.2%	37,000	39,561	\$826 over next 7 years	369
Mental Health Facilities Series II-2003A	2/1/03	8,215	3.4%	8,310	8,992	\$154 over next 8 years	92
Parks & Recreation Facilities Series II-2003A	2/1/03	6,425	3.6%	5,830	6,335	\$193 over next 9 years	92
Total.....		<u>\$442,280</u>		<u>\$451,015</u>	<u>\$485,086</u>		<u>\$12,501</u>



NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2003, approximately \$7.4 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also participated in the issuance of \$10.2 million in COP obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties.

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund and the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2003, are presented in the first table below.

As of June 30, 2003, the primary government's future commitments under the COP financing arrangements are as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2004	\$ 890	\$ 465	\$1,355
2005	945	408	1,353
2006	1,005	348	1,353
2007	800	285	1,085
2008	520	242	762
2009-2012..	3,210	609	3,819
Total	<u>\$7,370</u>	<u>\$2,357</u>	<u>\$9,727</u>

For the year ended June 30, 2003, NOTE 15 summarizes changes in COP obligations.

For the State's component units, approximately \$8.8 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at the Ohio State University and University of Cincinnati.

As of June 30, 2003, future commitments under the COP financing arrangements for the State's component units are detailed in the second table below.

**Primary Government — Governmental Activities
Certificate of Participation Obligations
As of June 30, 2003**

(dollars in thousands)

	Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Transportation:				
Panhandle Rail Line Project	1992	6.5%	2012	\$5,510
Rickenbacker Port Authority Improvements.....	1996	6.1%	2007	1,860
Total Certificates of Participation				<u>\$7,370</u>

**Component Units
Future Funding Requirements for Certificate of Participation Obligations
As of June 30, 2003**

(dollars in thousands)

	Ohio State University			University of Cincinnati			Total Component Units		
Year Ending June 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 980	\$ 361	\$ 1,341	\$ 90	\$ 51	\$ 141	\$1,070	\$ 412	\$ 1,482
2005	720	321	1,041	90	46	136	810	367	1,177
2006	355	293	648	90	41	131	445	334	779
2007	360	277	637	90	36	126	450	313	763
2008	390	260	650	95	31	126	485	291	776
2009-2013.....	2,230	1,001	3,231	475	78	553	2,705	1,079	3,784
2014-2018.....	2,845	373	3,218	—	—	—	2,845	373	3,218
Total	<u>\$7,880</u>	<u>\$2,886</u>	<u>\$10,766</u>	<u>\$ 930</u>	<u>\$ 283</u>	<u>\$1,213</u>	<u>\$8,810</u>	<u>\$3,169</u>	<u>\$11,979</u>



NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2003, in addition to bonds and certificate of participation obligations discussed in NOTES 10 through 13, the State reports the following non-current liabilities in its financial statements (dollars in thousands):

Governmental Activities:

Compensated Absences	\$ 383,637
Capital Leases Payable	4,888
Litigation Liabilities	10,000
Liability for Escheat Property	141,328
Total Governmental Activities	<u>539,853</u>

Business-Type Activities:

Compensated Absences	34,580
Capital Leases Payable	44,151
Workers' Compensation:	
Deferred Revenue	402,436
Benefits Payable	14,307,371
Other	1,832,271
Deferred Prize Awards Payable	929,225
Tuition Benefits Payable	1,080,500
Workers Compensation Claims-	
Auditor of State's Office	7,828
Total Business-Type Activities	<u>18,638,362</u>

Total Primary Government

\$19,178,215

Component Units:

Compensated Absences	\$ 220,940
Capital Leases Payable	201,190
Intergovernmental Payable	2,133,542
Deferred Revenue	129,223
Other	194,111
Total Component Units	<u>\$ 2,879,006</u>

For the year ended June 30, 2003, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2003, was \$418.2 million, of which \$383.6 million is allocable to governmental activities and \$34.6 million is allocable to business-type activities.

As of June 30, 2003, \$220.9 million of the "Other Noncurrent Liabilities" balance reported for component units represents compensated absences.

B. Lease Agreements

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is

considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewal options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 2003 were approximately \$94.3 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2003, are as follows (dollars in thousands):

Primary Government	
Year Ending June 30,	Operating Leases
2004	\$4,596
2005	1,372
2006	82
2007	8
2008	3
Total minimum lease payments	<u>\$6,061</u>

Capital Leases			
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2004	\$1,971	\$16,115	\$18,086
2005	1,470	16,115	17,585
2006	1,158	16,114	17,272
2007	740	7	747
2008	413	6	419
Total Minimum Lease Payments	5,752	48,357	54,109
Amount for interest	(864)	(4,206)	(5,070)
Present Value of Net Minimum Lease Payments	<u>\$4,888</u>	<u>\$44,151</u>	<u>\$49,039</u>



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2003, the primary government had the following capital assets under capital leases (dollars in thousands):

	Primary Government		
	Govern- mental Activities	Business- Type Activities	Total
Equipment	\$7,748	\$69,460	\$77,208
Vehicles.....	113	—	113
Total	<u>\$7,861</u>	<u>\$69,460</u>	<u>\$77,321</u>

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense.

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary funds. For the component units, capital lease obligations are included under the "Other Liabilities" account. Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the component unit funds, as of June 30, 2003, are presented in the table below.

C. Litigation Liabilities

In instances when the unfavorable outcome of pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2003, \$10 million in liabilities ultimately payable from various governmental funds has been recorded for this purpose.

For information on the State's loss contingencies arising from pending litigation, see NOTE 19.

D. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2003, this liability totaled approximately \$141.3 million.

E. Workers' Compensation

Deferred Revenue

Deferred revenue in the amount of \$402.4 million is reported as a noncurrent liability in the Workers' Compensation Enterprise Fund. This balance represents employer assessments for disabled workers benefits and for self-insuring employers guaranty deposits received or in the course of collection, but not yet recognized.

Benefits Payable

As discussed in NOTE 20A., the Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2003, in the amount of approximately \$14.3 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

**Component Units
Future Funding Requirements for Capital Lease Obligations
and Capital Assets Acquired Under Leases
As of June 30, 2003
(dollars in thousands)**

Year Ending June 30,	Ohio State University	University of Cincinnati	Other Component Units	Total Component Units
2004.....	\$ 5,411	\$ 11,047	\$12,729	\$ 29,187
2005.....	4,750	11,046	9,561	25,357
2006.....	4,605	11,197	8,155	23,957
2007.....	3,065	11,647	6,662	21,374
2008.....	740	11,862	5,254	17,856
2009-2013	822	58,729	12,126	71,677
2014-2018	—	46,584	394	46,978
2019-2023	—	59,434	—	59,434
Total Minimum Lease Payments	19,393	221,546	54,881	295,820
Amount for Interest.....	(1,670)	(86,284)	(6,676)	(94,630)
Present Value of Net Minimum Lease Payments.....	<u>\$17,723</u>	<u>\$135,262</u>	<u>\$48,205</u>	<u>\$201,190</u>
Land.....	\$ —	\$ —	\$ 140	\$ 140
Buildings	—	140,338	7,441	147,779
Land Improvements	—	—	785	785
Equipment.....	31,740	—	73,697	105,437
Total.....	<u>\$31,740</u>	<u>\$140,338</u>	<u>\$82,063</u>	<u>\$254,141</u>



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

F. Deferred Prize Awards Payable

Deferred prize awards payable in installments over future years totaling approximately \$929.2 million, as of June 30, 2003, are reported at present value based upon interest rates the Treasurer of State provides the Lottery Commission Enterprise Fund. The interest rates, ranging from 4.0 to 11.7 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method.

The present value of future payments of unpaid prize awards, as of June 30, 2003, is as follows (dollars in thousands):

Year Ending June 30,	
2004.....	\$ 142,713
2005.....	136,504
2006.....	127,126
2007.....	116,039
2008.....	100,569
2009-2013.....	349,280
2014-2018.....	302,376
2019-2023.....	177,370
	1,451,977
Unamortized Discount.....	(522,752)
Net Prize Liability	<u>\$ 929,225</u>

The State reduces prize liabilities by an estimate of the amount of prizes that will ultimately be unclaimed.

G. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund were \$1.08 billion, as of June 30, 2003. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases at state universities and state community colleges and termination of plan participation.

The following assumptions were used in the actuarial determination of tuition benefits payable: 7 percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of 16.2 percent and 10 percent annually thereafter; and a 2.5 percent Consumer Price Index inflation rate. The projected tuition growth rates represent a change in the assumption for annual tuition growth from 10 percent for

2004, nine percent for 2005, and 6.5 percent annually thereafter. The effect of changes in assumptions are summarized below (dollars in millions):

Actuarial Deficit, as of June 30, 2002	\$ (23.8)
Interest on the Deficit at 7.5 Percent	(1.8)
Recognition of Shortfall	
in Investment Returns	(25.0)
Additional Deficit from New Unit Purchases ..	(12.5)
Credits Redeemed at Lower Rate2
Higher-Than-Assumed Tuition Increase	(.8)
Budget Savings6
Fewer-Than-Expected Units/	
Credits Redeemed	(5.5)
Interest Gain on Late Tuition Payouts4
Change in Investment Return	(31.1)
Changes in Annual Tuition Growth Assumption ..	(174.3)
Other	2.4
Actuarial Deficit, as of June 30, 2003 -Before	
Actuarial Present Value (APV) Basis Points	
Revenue	(271.2)
APV of Payments from Variable Program	34.8
Actuarial Deficit, as of June 30, 2003	<u><u>\$ (236.4)</u></u>

As of June 30, 2003, the actuarial value of net assets available for payment of the tuition benefits payable was \$809.3 million. In determining the actuarial value of net assets available, the Authority has applied the smoothed methodology. This methodology recognizes annually one-third of the difference between assets at fair value and the expected assets based on the actuarial investment return assumption. Consequently, the assets used to determine the program's surplus are not the same as the market or cost value of the program's assets reported in the Authority's financial statements.

Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.83 billion in other noncurrent liabilities, as of June 30, 2003, of which 1.) \$1.67 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20A., 2.) \$82.9 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$75.5 million consists of other miscellaneous liabilities.

Additionally, the Office of the Auditor of State Enterprise Fund reports \$7.8 million in other liabilities for estimated workers' compensation claims payable. For the payment of the claims, the General Fund transfers resources to the Office of the Auditor of State Enterprise Fund. As claims expenses are incurred, transfers from the General Fund are accrued.



NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Accordingly, the General Fund reported an interfund payable to the Bureau of Workers' Compensation Enterprise Fund in an amount equal to the workers' compensation claims payable reported in the Office of Auditor of State Enterprise Fund, as of June 30, 2003 (See NOTE 7A.).

mental payable balance totaling approximately \$2.13 billion for long-term funding contracts the Commission has with local school districts. The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

H. Intergovernmental Payable

As of June 30, 2003, the School Facilities Commission Component Unit Fund reports an intergovern-

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2003, are presented for the primary government in the following table.

Primary Government Changes in Noncurrent Liabilities For the Fiscal Year Ended June 30, 2003 <i>(dollars in thousands)</i>					
	Balance July 1, 2002 (as restated)	Additions	Reductions	Balance June 30, 2003	Amount Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	\$ 3,771,129	\$1,756,488	\$ (923,775)	\$ 4,603,842	\$ 344,835
Revenue Bonds (NOTE 11)	297,638	199,367	(46,407)	450,598	46,985
Special Obligations (NOTE 12)	4,389,102	669,617	(965,105)	4,093,614	473,184
Total Bonds and Notes Payable	8,457,869	2,625,472	(1,935,287)	9,148,054	865,004
Certificates of Participation (NOTE 13)	9,900	—	(2,530)	7,370	890
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	381,929	335,659	(333,951)	383,637	50,235
Capital Leases Payable	3,933	3,391	(2,436)	4,888	1,593
Litigation Liabilities	30,000	10,000	(30,000)	10,000	—
Liability for Escheat Property	103,590	80,346	(42,608)	141,328	44,440
Total Other Noncurrent Liabilities	519,452	429,396	(408,995)	539,853	96,268
Governmental Activities-Noncurrent Liabilities	8,987,221	3,054,868	(2,346,812)	9,695,277	962,162
Business-Type Activities:					
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11)	190,723	196,895	(220,308)	167,310	3,730
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	33,551	32,193	(31,164)	34,580	1,467
Capital Leases Payable	57,171	29	(13,049)	44,151	13,841
Workers' Compensation:					
Deferred Revenue	413,086	40,263	(50,913)	402,436	14,535
Benefits Payable	13,267,172	3,196,199	(2,156,000)	14,307,371	1,688,700
Other:					
Adjustment Expenses Liability	1,620,334	164,370	(111,000)	1,673,704	450,738
Premium Payment Security Deposits	81,272	4,397	(2,678)	82,991	—
Miscellaneous	74,513	70,594	(69,531)	75,576	74,502
Deferred Prize Awards Payable	997,944	76,963	(145,682)	929,225	82,609
Tuition Benefits Payable	738,200	381,239	(38,939)	1,080,500	70,900
Workers' Compensation Claims-					
Auditor of State's Office	4,013	3,815	—	7,828	443
Total Other Noncurrent Liabilities	17,287,256	3,970,062	(2,618,956)	18,638,362	2,397,735
Business-Type Activities-Noncurrent Liabilities	17,477,979	4,166,957	(2,839,264)	18,805,672	2,401,465
Total Primary Government	\$26,465,200	\$7,221,825	\$ (5,186,076)	\$28,500,949	\$3,363,627



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2003, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on

the Statement of Activities under the expense category for interest on long-term debt.

	<i>(dollars in thousands)</i>
Governmental Activities:	
Primary, Secondary and Other Education	\$ 59,010
Higher Education Support	115,611
Environmental Protection and Natural Resources	368
Transportation	4
Community and Economic Development	17,256
Intergovernmental	87,716
Total Interest Expense	
Charged to Governmental Functions .	<u>\$279,965</u>

Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2003 (December 31, 2002 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented component units.

**Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2003**
(dollars in thousands)

	Balance July 1, 2002 (as restated)	Additions	Reductions	Balance June 30, 2003	Amount Due Within One Year
Bonds and Notes Payable:					
Revenue Bonds (NOTE 11):					
Ohio Water Development Authority	\$1,420,920	\$ 624,097	\$ (430,053)	\$1,614,964	\$ 105,653
Ohio State University	551,319	124,497	(115,185)	560,631	343,471
University of Cincinnati	427,684	117,806	(35,714)	509,776	35,531
All Other Component Units	880,333	320,390	(138,625)	1,062,098	58,775
Total Bonds and Notes Payable	3,280,256	1,186,790	(719,577)	3,747,469	543,430
Certificates of Participation (NOTE 13):					
Ohio State University	8,805	—	(925)	7,880	980
University of Cincinnati	1,180	—	(250)	930	90
Total Certificates of Participation	9,985	—	(1,175)	8,810	1,070
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences:					
Ohio State University	61,327	8,140	(4,926)	64,541	4,926
University of Cincinnati	56,662	2,959	(1,156)	58,465	30,734
All Other Component Units	90,033	34,474	(26,573)	97,934	26,952
Total Compensated Absences	208,022	45,573	(32,655)	220,940	62,612
Capital Leases Payable:					
Ohio State University	20,982	2,497	(5,756)	17,723	4,755
University of Cincinnati	138,317	—	(3,055)	135,262	4,111
All Other Component Units	42,783	19,162	(13,740)	48,205	10,807
Total Capital Leases Payable	202,082	21,659	(22,551)	201,190	19,673
Intergovernmental Payable:					
School Facilities Commission	1,343,734	1,385,531	(595,723)	2,133,542	748,200
Deferred Revenue:					
Ohio State University	103,775	1,365,221	(1,371,322)	97,674	89,674
All Other Component Units	28,862	29,944	(27,257)	31,549	29,851
Total Deferred Revenue	132,637	1,395,165	(1,398,579)	129,223	119,525

(Continued)



NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

<p align="center">Component Units Changes in Other Noncurrent Liabilities (Continued) For the Fiscal Year Ended June 30, 2003 <i>(dollars in thousands)</i></p>					
	Balance July 1, 2002 (as restated)	Additions	Reductions	Balance June 30, 2003	Amount Due Within One Year
Other Liabilities:					
Ohio State University.....	139,518	19,497	(50,279)	108,736	4,571
University of Cincinnati.....	29,693	98,484	(95,830)	32,347	342
All Other Component Units.....	73,304	4,499	(24,775)	53,028	757
Total Other Liabilities.....	242,515	122,480	(170,884)	194,111	5,670
Total Other Noncurrent Liabilities.....	2,128,990	2,970,408	(2,220,392)	2,879,006	955,680
Component Units-Noncurrent Liabilities	<u>\$5,419,231</u>	<u>\$4,157,198</u>	<u>\$(2,941,144)</u>	<u>\$6,635,285</u>	<u>\$1,500,180</u>

NOTE 16 NO COMMITMENT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent limited obligations payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a

pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2003, revenue bonds and notes outstanding that represent "no commitment" debt for the State are as follows (dollars in thousands):

Organization	Outstanding Amount
Ohio Department of Development:	
Ohio Housing Finance Agency	\$2,247,458
Ohio Enterprise Bond Program.....	148,195
Hospital Facilities Bonds.....	25,500
Total No Commitment Debt	<u>\$2,421,153</u>

NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS

A. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2003 (dollars in thousands):

Primary Government:

Major Funds:

Tuition Trust Authority Enterprise Fund... \$ (318,950)

Nonmajor Governmental Funds:

Mental Health and Retardation
Special Revenue Fund..... \$ (35,776)

Local Infrastructure Improvements
General Obligations Debt Service
Fund..... (49)

Administrative Services Building
Improvements Capital Projects Fund ... (10,364)

Total \$ (46,189)

Component Units:

School Facilities Commission Fund \$ (1,811,881)

B. "Other" Fund Balance Reserves and Designations

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2003, are presented in the table on the following page.

The unreserved fund balance for nonmajor special revenue funds is designated for compensated absences in the amount of \$3.9 million, as of June 30, 2003.



NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS (Continued)

Primary Government Governmental Funds — Reserved for Other As of June 30, 2003 <i>(dollars in thousands)</i>						
	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Other Assets — Prepaids	\$ 16,886	\$ 1,920	\$203	\$3,185	\$ 5,723	\$ 27,917
Advances to Local Governments	16,262	31,994	—	—	—	48,256
Department of Development's Office of Minority Financial Incentives — Mini-Loan Program Deposits	171	—	—	—	—	171
Noncurrent Portion of Interfund Receivables	241,847	—	—	—	—	241,847
Assets in Excess of Debt Service Requirements	—	—	—	—	3	3
Ohio Enterprise Bond Program	—	—	—	—	10,000	10,000
Coal Research and Development Program	—	—	—	—	8,486	8,486
Long-Term Leases Receivable	—	—	—	—	1,643	1,643
Special Purpose Restrictions:						
Health and Human Services	—	—	—	—	1,696	1,696
Environmental Protection and Natural Resources	—	—	—	—	354	354
Community and Economic Development	—	—	—	—	30,106	30,106
Total Reserved for Other	<u>\$275,166</u>	<u>\$33,914</u>	<u>\$203</u>	<u>\$3,185</u>	<u>\$58,011</u>	<u>\$370,479</u>

NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board except when restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to fi-

nance projects that are compatible with the GLPF's objectives. Ohio applies its distribution to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF. For the year ended December 31, 2002, however, the State did not receive its annual distribution since the GLPF reported an investment loss.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2002 (the GLPF's year-end), are as follows (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	\$25,000	\$25,000	30.9%
Indiana*	16,000	—	—
Illinois	15,000	15,000	18.4
Ohio	14,000	14,000	17.3
New York	12,000	12,000	14.8
Wisconsin	12,000	12,000	14.8
Minnesota	1,500	1,500	1.9
Pennsylvania	1,500	1,500	1.9
Total	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Summary financial information for the GLPF, for the fiscal year ended December 31, 2002, is as follows (dollars in thousands):

Cash and Investments	\$ 94,980
Other Assets	427
Total Assets	\$ 95,407
 Total Liabilities	 \$ 412
Total Fund Equity	94,995
Total Liabilities and Fund Equity ...	\$ 95,407
 Total Revenues and Other Additions*	 \$(17,578)
Total Expenditures	(5,244)
Net Decrease in Fund Equity	\$ (22,822)

*Includes \$12,455 for unrealized loss on investments.

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members. The governing boards of the technical colleges consist of either seven or nine trustees, of whom state officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC) and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2003 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga Community College	\$ 45,077	\$ 6,840	\$ 51,917
Jefferson Community College	3,823	56	3,879
Lakeland Community College	14,915	243	15,158
Lorain County Community College	22,009	232	22,241
Rio Grande Community College	4,264	178	4,442
Sinclair Community College	42,328	1,717	44,045
Total Local Community Colleges	132,416	9,266	141,682
Technical Colleges:			
Belmont Technical College	4,864	83	4,947
Central Ohio Technical College	4,439	324	4,763
Hocking Technical College	16,542	4,363	20,905
James A. Rhodes State College (formerly Lima Technical College)	7,460	11	7,471
Marion Technical College	3,722	15	3,737
Muskingum Area Technical College	5,159	347	5,506
North Central State College	7,033	821	7,854
Stark State College of Technology	11,098	4,360	15,458
Total Technical Colleges	60,317	10,324	70,641
Total	\$192,733	\$19,590	\$212,323

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During fiscal year 2003, the State had the following related-party transactions with its related organizations:



NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

- The primary government distributed \$2.7 million in motor vehicle fuel excise tax collections from the Revenue Distribution Fund to the Ohio Turnpike Commission.
- Separate funds, established for the Petroleum Underground Storage Tank Release Compensation Board, the Ohio Air Quality Development Authority, and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid approximately \$638 thousand in compensation to the Ohio Legal Assistance Foundation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies. Also, during fiscal year 2003, the Ohio Legal Assistance Foundation received approximately \$1.5 million in state assistance paid from the Job, Family and Other Human Services Fund.

NOTE 19 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

Litigation pending in the Ohio Court of Claims contests the Ohio Department of Human Services (ODHS, now Ohio Department of Job and Family Services) former Medicaid financial eligibility rules for married couples when one spouse is living in a nursing facility and the other resides in the community. ODHS promulgated new eligibility rules effective January 1, 1996. ODHS appealed an order of the federal court directing it to provide notice to persons potentially affected by the former rules from 1990 through 1995, and the Court of Appeals ruled in favor of ODHS; The U.S. Supreme Court did not grant plaintiff's petition for certiorari. As to the Court of Claims case, it is not possible to state the period (beyond the current fiscal year) during which necessary additional Medicaid expenditures would have to be made. Plaintiffs have estimated total additional Medicaid expenditures at \$600 million for the retroactive period and, based on current law, it is estimated that the State's share of those additional expenditures would be approximately \$240 million. The Court of Appeals has certified the class action and notice has been sent to the members of the class. Trial for liability only was completed in the Court of Claims in January 2003, and all post-trial briefs have been filed with that Court. No liability has been reported in the financial statements for this matter.

As previously discussed in NOTE 14C, the State has recognized \$10 million in liabilities for pending litigation, the unfavorable outcome of which has been assessed to be probable. All other legal proceedings are not, in the opinion of management after

consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

B. Federal Awards

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2002 State of Ohio Single Audit (completed in February 2003), \$151.8 million of federal expenditures are in question as not being appropriate under the terms of the respective grants. The amount of expenditures, which may be ultimately disallowed by the grantor, cannot be determined at this time, and consequently, no provision for any liability or adjustments for this matter has been recognized in the State's financial statements for the fiscal year ended June 30, 2003.

C. Tax Refund Claims

As of June 30, 2003, income tax refund claims estimated in the amount of \$7 million were pending an official determination of the Tax Commissioner at the Ohio Department of Taxation. The claims arose from refund claims taxpayers filed for tax periods occurring in fiscal year 2003 and in prior years. No



NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)

liability has been reported in the financial statements for this matter.

D. Construction Commitments

As of June 30, 2003, the Ohio Department of Transportation had total contractual commitments of approximately \$1.59 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$824.4 million, \$316.6 million, \$370 million, and \$75.4 million, respectively. As of June 30, 2003, other major non-highway construction commitments for the primary government's budgeted capital projects funds are as follows (dollars in thousands):

Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 18,137
Parks and Recreation Improvements.....	20,745
Administrative Services	
Building Improvements.....	64,184
Youth Services Building Improvements.....	14,071
Transportation Building Improvements.....	76
Adult Correctional Building Improvements ..	54,287
Highway Safety Building Improvements.....	14,408
Ohio Parks and Natural Resources.....	19,647
Total.....	<u>\$205,555</u>

E. Tobacco Settlement

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

While Ohio's share of the total base payments to the states through 2025 will not change over time, the amount of the annual payment is subject to a number of adjustments, including an inflation adjustment and a volume adjustment. Some of these adjustments (for example, inflation) should contribute to an increase in the payments and others (for example, domestic cigarette sales volume) may decrease the payments. But the net effect of these adjustment factors on future payments is very uncertain, which makes it difficult to speculate on how different Ohio's real payments will be from the pre-adjusted base payment amounts.

In addition to the base payments, Ohio will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-adjusted Payments From the Strategic Contribution Fund	Total
2004	\$ 352,827	\$ —	\$ 352,827
2005	352,827	—	352,827
2006	352,827	—	352,827
2007	352,827	—	352,827
2008	359,829	23,950	383,779
2009-2013 ..	1,799,147	119,750	1,918,897
2014-2018 ..	1,842,520	95,800	1,938,320
2019-2023 ..	2,016,011	—	2,016,011
2024-2025 ..	806,405	—	806,405
Total	<u>\$8,235,220</u>	<u>\$239,500</u>	<u>\$8,474,720</u>

During fiscal year 2003, Ohio received \$369.6 million, which was approximately \$53.1 million or 12.6 percent less than the pre-adjusted base payment for the year. For the last four fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$1.47 billion, which is approximately \$167.9 million or 10.3 percent less than the total of the pre-adjusted base payments established for the last three fiscal years.

The moneys provide funding for the construction of elementary and secondary school capital facilities, new programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to the tobacco-growing areas in Ohio. Before the end of fiscal year 2003, the State transferred \$280.5 million in tobacco settlement revenues from the Special Revenue Fund to the General Fund to help make up for a shortfall in estimated tax revenues for fiscal year 2003. Also, the General Assembly has authorized the transfer of up to an additional \$242.8 million in tobacco settlement revenues, if needed to balance the fiscal year 2004 budget in the event of continued revenue shortfalls in the General Fund.



NOTE 20 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2003, in the amount of approximately \$14.3 billion includes reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.7 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the reported liability estimates are adequate. While management uses available information to estimate liabilities, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims

experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed and updated quarterly based upon current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at 5.5 percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$32.3 billion, as of June 30, 2003, and \$30.6 billion, as of June 30, 2002. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2003.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

B. State Employee Healthcare Plans

Employees of the primary government have the option of participating in the Ohio Med Health Plan or the United Healthcare Plan, which are fully self-insured health benefit plans. Ohio Med, a preferred provider organization, was established July 1, 1989, while United Healthcare, a health maintenance organization, became a self-insured healthcare plan of the State on July 1, 2002. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

**Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years
(dollars in millions)**

	Fiscal Year 2003	Fiscal Year 2002
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	\$14,888	\$14,112
Incurred Compensation and Compensation Adjustment Benefits	2,916	2,662
Incurred Compensation and Compensation Adjustment Benefit Payments	(2,267)	(2,158)
Change in Liability Due to Decrease in Discount Rate	444	272
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	<u>\$15,981</u>	<u>\$14,888</u>



NOTE 20 RISK FINANCING (Continued)

The United Healthcare Plan has a similar contract with the primary government to serve as claims administrator. Benefits offered under the United Healthcare Plan under the State's administration are essentially the same as the benefits offered before the plan became a self-insured arrangement for the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio or United Healthcare for claims settlement.

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2003, approximately \$43 million in total assets was available in the Agency Fund and on deposit with Medical Mutual to cover claims. Changes in the balance of Ohio Med health claims liabilities during the past two fiscal years are as follows (dollars in thousands):

Ohio Med Plan		
	Fiscal Year 2003	Fiscal Year 2002 (as restated)
Claims Liabilities, as of July 1	\$ 22,744	\$ 20,469
Incurred Claims	265,890	153,739
Claims Payments	(249,185)	(151,464)
Claims Liabilities, as of June 30	<u>\$ 39,449</u>	<u>\$ 22,744</u>

As of June 30, 2003, the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund and on deposit with Medical Mutual of Ohio for the payment of claims under the Ohio Med Plan exceeded the estimated claims liability by approximately \$3.6 million, thereby resulting in a funding surplus. The surplus was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2003, approximately \$6.8 million in total assets was available in the Agency Fund and on deposit with United Healthcare to cover claims incurred by June 30. Changes in the balance of United Healthcare claims liabilities during the past fiscal year (the year in which the plan was established) are as follows (dollars in thousands):

United Healthcare Plan	
	Fiscal Year 2003
Claims Liabilities, as of July 1	\$ —
Incurred Claims	76,077
Claims Payments	(62,440)
Claims Liabilities, as of June 30	<u>\$ 13,637</u>

As of June 30, 2003, the estimated claims liability of the United Healthcare Plan exceeded the resources on deposit in the Payroll Withholding and Fringe Benefits Agency Fund for the payment of claims by approximately \$6.8 million, thereby, resulting in a funding deficit. The net claims liability, which was payable from expendable financial resources in the governmental funds, as of June 30, 2003, was reported as a fund liability in the governmental and proprietary funds.

C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.



NOTE 21 SUBSEQUENT EVENTS

A. Bond Issuances and Authorizations

Subsequent to June 30, 2003 (December 31, 2002 for the Ohio Water Development Authority), the State issued major debt as detailed in the table below. As specified in legislation passed prior to June

30, 2003, the General Assembly approved a \$635 million increase in the bond issue authorization for the Highway Capital Improvement general obligation bonds, which became effective after June 30, 2003.

**Debt Issuances
Subsequent to June 30, 2003**
(dollars in thousands)

	Date	Interest Coupon Rates	Amount
Primary Government:			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Common Schools Capital Facilities-Series 2003B	July 22, 2003	4.4%*	\$200,000
<i>Treasurer of State-General Obligation Bonds:</i>			
Infrastructure Improvements-Series 2003F	Dec. 4, 2003		120,000
Total General Obligation Bonds.....			320,000
<i>Treasurer of State-Revenue Bonds:</i>			
Innovation Ohio (Taxable)-Series 2003	July 17, 2003	5.4%*	50,000
Research and Development (Taxable)-Series 2003B	Oct. 30, 2003	5.7%*	50,000
Total Revenue Bonds			100,000
<i>Ohio Building Authority Special Obligation Bonds:</i>			
Department of Administrative Services State Facilities-Series 2003A	July 10, 2003	4.1%*	100,000
State Facilities Refunding (DiSalle/Lausche/Ocasek)-Series 2003A	July 10, 2003	1.8%*	18,540
Total Special Obligation Bonds.....			118,540
Total Primary Government			\$538,540
Major Component Units:			
<i>Ohio Water Development Authority Revenue Bonds and Notes:</i>			
Water Pollution Control Loan Fund Water Quality - Series 2003 Refunding	June 30, 2003	3.0%-5.3%	\$161,430
Research and Development Loan Advance -Series 2003-A	August 28, 2003	Variable Rate	26,700
Total Ohio Water Development Authority			188,130
<i>Ohio State University General Receipts Bonds:</i>			
Series 2003B	Sept. 11, 2003	1.8%-5.2%	233,780
Series 2003C	Sept. 11, 2003	.9%-1.0%	121,295
Total Ohio State University			355,075
Total Major Component Units			\$543,205

*True Interest Cost

B. Tuition Trust Authority

In August 2003, the Board of Directors for the Tuition Trust Authority passed a resolution to limit the amount of total annual contributions participants could make the Guaranteed Savings Plan to \$2,000 per beneficiary. Later, the Authority's Board passed

a resolution, effective October 8, 2003, to temporarily suspend sales of new enrollments for the Guaranteed Savings Plan through December 31, 2004 and to temporarily suspend contributions to existing plan accounts from January 1, 2004 through December 31, 2004.

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REQUIRED SUPPLEMENTARY INFORMATION



Pavement Network

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate

highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

Condition Assessment Data for the Pavement Network

Priority Subsystem:

		Calendar Year 2002		Calendar Year 2001	
	PCR	Lane-Miles	%	Lane-Miles	%
Excellent	85-100	7,483	61.29%	6,753	55.74%
Good	75-84	2,498	20.46	2,688	22.19
Fair	65-74	1,849	15.14	2,162	17.85
Poor	Less than 65	380	3.11	511	4.22
		<u>12,210</u>	<u>100.00%</u>	<u>12,114</u>	<u>100.00%</u>

General Subsystem:

		Calendar Year 2002		Calendar Year 2001	
	PCR	Lane-Miles	%	Lane-Miles	%
Excellent	85-100	11,997	39.57%	10,635	34.89%
Good	75-84	6,496	21.43	6,547	21.47
Fair	55-74	11,278	37.20	12,393	40.65
Poor	Less than 55	546	1.80	912	2.99
		<u>30,317</u>	<u>100.00%</u>	<u>30,487</u>	<u>100.00%</u>

Comparison of Estimated-to-Actual Maintenance/Preservation Costs (dollars in thousands)

	Fiscal Year 2003	Fiscal Year 2002
Priority Subsystem:		
Estimated	\$243,722	\$251,216
Actual	273,834	319,518
General Subsystem:		
Estimated	\$135,149	\$110,956
Actual	209,530	151,978



STATE OF OHIO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

JUNE 30, 2003

Bridge Network

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a general appraisal condition rating from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

Condition Assessment Data for the Bridge Network

	General Appraisal Rating	Calendar Year 2002		Calendar Year 2001	
		Square Feet of Deck Area	%	Square Feet of Deck Area	%
Excellent	7-9	45,143,958	56.01%	43,395,068	53.56%
Good	5-6	33,066,880	41.02	34,898,954	43.08
Fair	3-4	2,387,969	2.96	2,687,455	3.32
Poor	0-2	8,788	.01	30,112	.04
		<u>80,607,595</u>	<u>100.00%</u>	<u>81,011,589</u>	<u>100.00%</u>

Comparison of Estimated-to-Actual Maintenance/Preservation Costs
(dollars in thousands)

	Fiscal Year 2003	Fiscal Year 2002
Estimated	\$180,358	\$192,105
Actual	229,077	210,084

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003
(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
ASSETS:			
Cash Equity with Treasurer	\$ 1,587,040	\$ 60,755	\$ 317,939
Cash and Cash Equivalents	52,236	1,236	—
Investments	449,146	62,378	—
Collateral on Lent Securities	587,770	23,457	106,667
Taxes Receivable	4,393	—	—
Intergovernmental Receivable	221,074	—	—
Loans Receivable, Net	749,093	1,316	—
Interfund Receivable	3,311	—	—
Other Receivables	26,835	78	312
Other Assets	11,571	—	—
TOTAL ASSETS	\$ 3,692,469	\$ 149,220	\$ 424,918
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 133,164	\$ —	\$ 33,194
Accrued Liabilities	28,511	318	—
Obligations Under Securities Lending	587,770	23,457	106,667
Intergovernmental Payable	218,368	—	—
Interfund Payable	357,832	—	—
Payable to Component Units	17,604	—	—
Deferred Revenue	88,066	14	67
Refund and Other Liabilities	2,225	9,060	—
TOTAL LIABILITIES	1,433,540	32,849	139,928
FUND BALANCES:			
Reserved for:			
Debt Service	—	115,101	—
Encumbrances	883,212	—	542,831
Noncurrent Portion of Loans Receivable	733,079	1,316	—
Loan Commitments	84,956	—	—
Federal Programs	62,142	—	—
Other:			
Prepays	5,723	—	—
Ohio Enterprise Bond Program	10,000	—	—
Coal Research and Development Program	8,486	—	—
Long-Term Leases Receivable	1,643	—	—
Health and Human Services	1,696	—	—
Environmental Protection and Natural Resources	354	—	—
Community and Economic Development	30,106	—	—
Assets in Excess of Debt Service Requirements	—	3	—
Unreserved/Designated for Compensated Absences	3,941	—	—
Unreserved/Undesignated (Deficits)	433,591	(49)	(257,841)
TOTAL FUND BALANCES	2,258,929	116,371	284,990
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 3,692,469	\$ 149,220	\$ 424,918

TOTAL

\$ 1,965,734
53,472
511,524
717,894
4,393
221,074
750,409
3,311
27,225
11,571
\$ 4,266,607

\$ 166,358
28,829
717,894
218,368
357,832
17,604
88,147
11,285
1,606,317

115,101
1,426,043
734,395
84,956
62,142

5,723
10,000
8,486
1,643
1,696
354
30,106
3
3,941
175,701

2,660,290

\$ 4,266,607

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
REVENUES:			
Income Taxes	\$ 6,051	\$ —	\$ —
Sales Taxes	15,637	—	—
Corporate and Public Utility Taxes	13,700	—	—
Motor Vehicle Fuel Taxes	15,482	29,915	—
Cigarette Taxes	2	—	—
Other Taxes	37,695	—	—
Licenses, Permits and Fees	598,291	3,117	—
Sales, Services and Charges	40,293	—	52
Federal Government	1,756,820	—	275
Tobacco Settlement	369,619	—	—
Investment Income	42,744	5,827	8,211
Other	159,955	9,857	1,645
TOTAL REVENUES	3,056,289	48,716	10,183
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	4,920	—	—
Higher Education Support	292,585	—	—
Public Assistance and Medicaid	306	—	—
Health and Human Services	1,341,307	—	—
Justice and Public Protection	524,309	—	—
Environmental Protection and Natural Resources	253,148	—	—
Transportation	184	—	—
General Government	180,699	—	—
Community and Economic Development	603,111	—	—
INTERGOVERNMENTAL	183,236	—	—
CAPITAL OUTLAY	10,353	—	479,521
DEBT SERVICE	540	1,244,993	3,171
TOTAL EXPENDITURES	3,394,698	1,244,993	482,692
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(338,409)	(1,196,277)	(472,509)
OTHER FINANCING SOURCES (USES):			
Bonds Issued	495,000	—	440,000
Refunding Bonds Issued	—	1,025,040	—
Payment to Refunded Bond Escrow Agents	—	(1,091,881)	—
Bond Premiums	—	176,752	12,200
Bond Discounts	—	(33,649)	—
Capital Leases	699	—	—
Transfers-in	289,974	1,133,309	—
Transfers-out	(337,583)	—	(7)
TOTAL OTHER FINANCING SOURCES (USES)	448,090	1,209,571	452,193
NET CHANGE IN FUND BALANCES	109,681	13,294	(20,316)
FUND BALANCES, JULY 1 (as restated)	2,149,248	103,077	305,306
FUND BALANCES, JUNE 30	\$ 2,258,929	\$ 116,371	\$ 284,990

	<u>TOTAL</u>
\$	6,051
	15,637
	13,700
	45,397
	2
	37,695
	601,408
	40,345
	1,757,095
	369,619
	56,782
	<u>171,457</u>
	<u>3,115,188</u>

	4,920
	292,585
	306
	1,341,307
	524,309
	253,148
	184
	180,699
	603,111
	183,236
	489,874
	<u>1,248,704</u>
	<u>5,122,383</u>

	<u>(2,007,195)</u>
--	---------------------------

	935,000
	1,025,040
	(1,091,881)
	188,952
	(33,649)
	699
	1,423,283
	<u>(337,590)</u>
	<u>2,109,854</u>

	102,659
--	----------------

	<u>2,557,631</u>
--	------------------

\$	<u>2,660,290</u>
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NONMAJOR SPECIAL REVENUE FUNDS

The **Special Revenue Funds** account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Community and Economic Development Fund** accounts for programs administered by the Department of Development and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

The **Health Fund** accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

The **Mental Health and Retardation Fund** accounts for mental health care and retardation programs primarily administered by the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

The **Highway Safety Fund** accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

The **Natural Resources Fund** accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

The **Wildlife and Waterways Safety Fund** accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

The **Local Infrastructure and Transportation Improvements Fund** accounts for the Local Transportation Improvement Program administered by the Ohio Public Works Commission, which provides grants and loans to local governments for highway, road, and bridge construction.

The **Tobacco Settlement Fund** accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

The **Clean Ohio Program Fund** accounts for programs that assist local communities in the clean-up and redevelopment of brownfield sites, the protection of green space, the preservation of farmland, the improvement of water quality, and the expansion of Ohio's network of recreational trails and greenways.

The **Higher Education Improvements Fund** accounts for bond proceeds that finance the construction of facilities for state-assisted higher education institutions.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003
(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
ASSETS:			
Cash Equity with Treasurer	\$ 435,527	\$ 38,727	\$ 66,112
Cash and Cash Equivalents	48,796	56	—
Investments	106,052	—	—
Collateral on Lent Securities	162,026	13,025	22,243
Taxes Receivable	1,279	—	—
Intergovernmental Receivable	21,042	22,804	176,320
Loans Receivable, Net	522,670	—	—
Interfund Receivable	2,478	6	—
Other Receivables	6,550	12,843	362
Other Assets	1,316	6,303	909
TOTAL ASSETS	\$ 1,307,736	\$ 93,764	\$ 265,946
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 42,033	\$ 20,977	\$ 32,843
Accrued Liabilities	5,742	2,649	4,293
Obligations Under Securities Lending	162,026	13,025	22,243
Intergovernmental Payable	11,019	6,575	141,222
Interfund Payable	259,856	3,088	59,825
Payable to Component Units	304	115	13
Deferred Revenue	20,404	19,558	41,283
Refund and Other Liabilities	2,225	—	—
TOTAL LIABILITIES	503,609	65,987	301,722
FUND BALANCES:			
Reserved for:			
Encumbrances	337,179	9,819	238,295
Noncurrent Portion of Loans Receivable	508,559	—	—
Loan Commitments	—	—	—
Federal Programs	55,061	701	12
Other:			
Prepays	1,316	455	909
Ohio Enterprise Bond Program	10,000	—	—
Coal Research and Development Program	8,486	—	—
Long-Term Leases Receivable	1,643	—	—
Health and Human Services	—	1,696	—
Environmental Protection and Natural Resources	—	—	—
Community and Economic Development	—	—	—
Unreserved/Designated for Compensated Absences	—	541	—
Unreserved/Undesignated (Deficits)	(118,117)	14,565	(274,992)
TOTAL FUND BALANCES (DEFICITS)	804,127	27,777	(35,776)
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 1,307,736	\$ 93,764	\$ 265,946

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ 147,294	\$ 149,635	\$ 54,705	\$ 248,023	\$ 170,137	\$ 81,844
639	1,265	10	—	1,470	—
—	—	—	—	343,094	—
49,349	50,359	18,347	83,230	96,470	27,463
—	1,800	1,314	—	—	—
883	25	—	—	—	—
—	86	—	226,337	—	—
349	429	49	—	—	—
148	5,788	265	274	437	89
2,004	688	331	6	12	2
<u>\$ 200,666</u>	<u>\$ 210,075</u>	<u>\$ 75,021</u>	<u>\$ 557,870</u>	<u>\$ 611,620</u>	<u>\$ 109,398</u>
\$ 7,687	\$ 7,159	\$ 2,675	\$ 5,843	\$ 2,400	\$ 807
9,999	4,024	1,650	37	104	13
49,349	50,359	18,347	83,230	96,470	27,463
5,056	157	—	2,082	52,257	—
24,600	4,743	5,623	11	72	14
9	4	3	—	—	—
2,143	4,469	20	59	94	19
—	—	—	—	—	—
<u>98,843</u>	<u>70,915</u>	<u>28,318</u>	<u>91,262</u>	<u>151,397</u>	<u>28,316</u>
19,448	35,365	7,593	7	2,147	49,006
—	—	—	224,520	—	—
—	—	—	84,541	—	—
—	4,755	—	—	—	1,613
2,004	688	331	6	12	2
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	354
—	—	—	—	—	30,106
2,170	847	350	8	24	1
78,201	97,505	38,429	157,526	458,040	—
101,823	139,160	46,703	466,608	460,223	81,082
<u>\$ 200,666</u>	<u>\$ 210,075</u>	<u>\$ 75,021</u>	<u>\$ 557,870</u>	<u>\$ 611,620</u>	<u>\$ 109,398</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>HIGHER EDUCATION IMPROVEMENTS</u>	<u>TOTAL</u>
ASSETS:		
Cash Equity with Treasurer	\$ 195,036	\$ 1,587,040
Cash and Cash Equivalents	—	52,236
Investments	—	449,146
Collateral on Lent Securities	65,258	587,770
Taxes Receivable	—	4,393
Intergovernmental Receivable	—	221,074
Loans Receivable, Net	—	749,093
Interfund Receivable	—	3,311
Other Receivables	79	26,835
Other Assets	—	11,571
TOTAL ASSETS	\$ 260,373	\$ 3,692,469
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts Payable	\$ 10,740	\$ 133,164
Accrued Liabilities	—	28,511
Obligations Under Securities Lending	65,258	587,770
Intergovernmental Payable	—	218,368
Interfund Payable	—	357,832
Payable to Component Units	17,156	17,604
Deferred Revenue	17	88,066
Refund and Other Liabilities	—	2,225
TOTAL LIABILITIES	93,171	1,433,540
FUND BALANCES:		
Reserved for:		
Encumbrances	184,353	883,212
Noncurrent Portion of Loans Receivable	—	733,079
Loan Commitments	415	84,956
Federal Programs	—	62,142
Other:		
Prepays	—	5,723
Ohio Enterprise Bond Program	—	10,000
Coal Research and Development Program	—	8,486
Long-Term Leases Receivable	—	1,643
Health and Human Services	—	1,696
Environmental Protection and Natural Resources	—	354
Community and Economic Development	—	30,106
Unreserved/Designated for Compensated Absences	—	3,941
Unreserved/Undesignated (Deficits)	(17,566)	433,591
TOTAL FUND BALANCES (DEFICITS)	167,202	2,258,929
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 260,373	\$ 3,692,469

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STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	COMMUNITY AND ECONOMIC DEVELOPMENT	HEALTH	MENTAL HEALTH AND RETARDATION
REVENUES:			
Income Taxes	\$ 6,051	\$ —	\$ —
Sales Taxes	15,637	—	—
Corporate and Public Utility Taxes	530	—	—
Motor Vehicle Fuel Taxes	1,571	—	—
Cigarette Taxes	2	—	—
Other Taxes	29,257	—	—
Licenses, Permits and Fees	351,308	16,895	1
Sales, Services and Charges	18,826	25	—
Federal Government	432,276	391,752	852,023
Tobacco Settlement	—	—	—
Investment Income	9,037	188	11
Other	43,852	26,052	24,673
TOTAL REVENUES	908,347	434,912	876,708
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	25	—	—
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	306
Health and Human Services	—	439,707	868,926
Justice and Public Protection	150,540	—	—
Environmental Protection and Natural Resources	405	—	—
Transportation	184	—	—
General Government	149,696	—	—
Community and Economic Development	571,067	1,296	—
INTERGOVERNMENTAL	—	—	—
CAPITAL OUTLAY	—	—	—
DEBT SERVICE	530	—	—
TOTAL EXPENDITURES	872,447	441,003	869,232
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	35,900	(6,091)	7,476
OTHER FINANCING SOURCES (USES):			
Bonds Issued	—	—	—
Capital Leases	—	—	—
Transfers-in	22,691	9,198	2,700
Transfers-out	(32,808)	(846)	(1,801)
TOTAL OTHER FINANCING SOURCES (USES)	(10,117)	8,352	899
NET CHANGE IN FUND BALANCES	25,783	2,261	8,375
FUND BALANCES (DEFICITS), JULY 1 (as restated)	778,344	25,516	(44,151)
FUND BALANCES (DEFICITS), JUNE 30	\$ 804,127	\$ 27,777	\$ (35,776)

<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</u>	<u>TOBACCO SETTLEMENT</u>	<u>CLEAN OHIO PROGRAM</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	13,170	—	—	—	—
—	—	13,911	—	—	—
—	—	—	—	—	—
1,014	7,424	—	—	—	—
104,837	90,054	35,196	—	—	—
19,397	1,603	442	—	—	—
17,543	49,349	12,264	—	—	1,613
—	—	—	—	369,619	—
3,801	1,008	1,363	6,682	8,200	2,502
33,989	27,047	2,957	1,283	69	18
<u>180,581</u>	<u>189,655</u>	<u>66,133</u>	<u>7,965</u>	<u>377,888</u>	<u>4,133</u>
—	—	—	—	4,895	—
—	—	—	—	56,574	—
—	—	—	—	—	—
228	—	—	—	32,446	—
367,394	603	—	—	5,772	—
—	185,568	67,085	—	—	90
—	—	—	—	—	—
—	4,012	—	—	26,991	—
—	2,698	—	1,079	26,662	309
—	—	—	159,424	—	23,812
5,405	—	4,948	—	—	—
—	—	—	10	—	—
<u>373,027</u>	<u>192,881</u>	<u>72,033</u>	<u>160,513</u>	<u>153,340</u>	<u>24,211</u>
<u>(192,446)</u>	<u>(3,226)</u>	<u>(5,900)</u>	<u>(152,548)</u>	<u>224,548</u>	<u>(20,078)</u>
—	—	—	120,000	—	50,000
699	—	—	—	—	—
189,153	2,451	883	62,898	—	—
(16,407)	(3,702)	(950)	—	(280,890)	(179)
<u>173,445</u>	<u>(1,251)</u>	<u>(67)</u>	<u>182,898</u>	<u>(280,890)</u>	<u>49,821</u>
<u>(19,001)</u>	<u>(4,477)</u>	<u>(5,967)</u>	<u>30,350</u>	<u>(56,342)</u>	<u>29,743</u>
120,824	143,637	52,670	436,258	516,565	51,339
<u>\$ 101,823</u>	<u>\$ 139,160</u>	<u>\$ 46,703</u>	<u>\$ 466,608</u>	<u>\$ 460,223</u>	<u>\$ 81,082</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>HIGHER EDUCATION IMPROVEMENTS</u>	<u>TOTAL</u>
REVENUES:		
Income Taxes	\$ —	\$ 6,051
Sales Taxes	—	15,637
Corporate and Public Utility Taxes	—	13,700
Motor Vehicle Fuel Taxes	—	15,482
Cigarette Taxes	—	2
Other Taxes	—	37,695
Licenses, Permits and Fees	—	598,291
Sales, Services and Charges	—	40,293
Federal Government	—	1,756,820
Tobacco Settlement	—	369,619
Investment Income	9,952	42,744
Other	15	159,955
TOTAL REVENUES	<u>9,967</u>	<u>3,056,289</u>
EXPENDITURES:		
CURRENT OPERATING:		
Primary, Secondary and Other Education	—	4,920
Higher Education Support	236,011	292,585
Public Assistance and Medicaid	—	306
Health and Human Services	—	1,341,307
Justice and Public Protection	—	524,309
Environmental Protection and Natural Resources	—	253,148
Transportation	—	184
General Government	—	180,699
Community and Economic Development	—	603,111
INTERGOVERNMENTAL	—	183,236
CAPITAL OUTLAY	—	10,353
DEBT SERVICE	—	540
TOTAL EXPENDITURES	<u>236,011</u>	<u>3,394,698</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(226,044)</u>	<u>(338,409)</u>
OTHER FINANCING SOURCES (USES):		
Bonds Issued	325,000	495,000
Capital Leases	—	699
Transfers-in	—	289,974
Transfers-out	—	(337,583)
TOTAL OTHER FINANCING SOURCES (USES)	<u>325,000</u>	<u>448,090</u>
NET CHANGE IN FUND BALANCES	98,956	109,681
FUND BALANCES (DEFICITS), JULY 1 (as restated)	<u>68,246</u>	<u>2,149,248</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 167,202</u>	<u>\$ 2,258,929</u>

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

COMMUNITY AND ECONOMIC DEVELOPMENT			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ 6,024	
Sales Taxes		16,347	
Corporate and Public Utility Taxes		531	
Motor Vehicle Fuel Taxes		1,210	
Cigarette Taxes.....		2	
Other Taxes		29,257	
Licenses, Permits and Fees		355,387	
Sales, Services and Charges		9,565	
Federal Government		393,107	
Tobacco Settlement.....		—	
Investment Income		8,079	
Other		111,760	
TOTAL REVENUES.....		931,269	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ 1,863	331	\$ 1,532
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	272,209	220,988	51,221
Environmental Protection and Natural Resources	619	410	209
Transportation	6,056	3,128	2,928
General Government	212,906	166,016	46,890
Community and Economic Development	1,033,765	857,158	176,607
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	3,300	—	3,300
DEBT SERVICE.....	2,070	530	1,540
TOTAL BUDGETARY EXPENDITURES.....	\$ 1,532,788	1,248,561	\$ 284,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(317,292)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		22,309	
Transfers-out		(47,255)	
TOTAL OTHER FINANCING SOURCES (USES).....		(24,946)	
NET CHANGE IN FUND BALANCES.....		(342,238)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		49,120	
Outstanding Encumbrances at Beginning of Fiscal Year		361,510	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 68,392	

HEALTH			MENTAL HEALTH AND RETARDATION		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	22,039			1	
	2,791			—	
	388,170			1,806,697	
	—			—	
	224			18	
	87,513			28,937	
	<u>500,737</u>			<u>1,835,653</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	1,188,109	1,176,813	11,296
597,496	518,622	78,874	1,117,943	959,149	158,794
30	18	12	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,568	2,210	358	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 600,094</u>	<u>520,850</u>	<u>\$ 79,244</u>	<u>\$ 2,306,052</u>	<u>2,135,962</u>	<u>\$ 170,090</u>
	<u>(20,113)</u>			<u>(300,309)</u>	
	—			—	
	1,280			—	
	<u>(49)</u>			<u>(500)</u>	
	<u>1,231</u>			<u>(500)</u>	
	<u>(18,882)</u>			<u>(300,809)</u>	
	12,601			(301,682)	
	<u>21,943</u>			<u>354,598</u>	
	<u>\$ 15,662</u>			<u>\$ (247,893)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)
(continued)

	HIGHWAY SAFETY		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Cigarette Taxes.....		—	
Other Taxes		1,014	
Licenses, Permits and Fees		105,010	
Sales, Services and Charges		19,299	
Federal Government		18,393	
Tobacco Settlement.....		—	
Investment Income		5,033	
Other		38,434	
TOTAL REVENUES.....		187,183	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	336	237	99
Justice and Public Protection	468,393	399,223	69,170
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	11,362	8,780	2,582
DEBT SERVICE.....	13,186	11,655	1,531
TOTAL BUDGETARY EXPENDITURES.....	\$ 493,277	419,895	\$ 73,382
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(232,712)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		205,379	
Transfers-out		(20,857)	
TOTAL OTHER FINANCING SOURCES (USES).....		184,522	
NET CHANGE IN FUND BALANCES.....		(48,190)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		131,191	
Outstanding Encumbrances at Beginning of Fiscal Year		30,772	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 113,773	

NATURAL RESOURCES			WILDLIFE AND WATERWAYS SAFETY		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	13,170			—	
	—			14,562	
	—			—	
	7,455			—	
	90,396			35,320	
	1,603			442	
	50,503			12,264	
	—			—	
	1,326			1,804	
	31,649			3,854	
	<u>196,102</u>			<u>68,246</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
1,191	628	563	—	—	—
321,812	228,104	93,708	98,461	70,564	27,897
—	—	—	—	—	—
5,817	3,864	1,953	—	—	—
18,345	4,249	14,096	—	—	—
—	—	—	—	—	—
—	—	—	29,094	8,722	20,372
—	—	—	—	—	—
<u>\$ 347,165</u>	<u>236,845</u>	<u>\$ 110,320</u>	<u>\$ 127,555</u>	<u>79,286</u>	<u>\$ 48,269</u>
	<u>(40,743)</u>			<u>(11,040)</u>	
	—			—	
	6,097			4	
	<u>(4,486)</u>			<u>(11)</u>	
	<u>1,611</u>			<u>(7)</u>	
	<u>(39,132)</u>			<u>(11,047)</u>	
	113,053			46,822	
	<u>35,380</u>			<u>8,735</u>	
	<u>\$ 109,301</u>			<u>\$ 44,510</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)
(continued)

LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Cigarette Taxes.....		—	
Other Taxes		—	
Licenses, Permits and Fees		—	
Sales, Services and Charges		—	
Federal Government		—	
Tobacco Settlement.....		—	
Investment Income		8,335	
Other		16,896	
TOTAL REVENUES.....		25,231	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	1,671	1,106	565
INTERGOVERNMENTAL.....	707,776	187,620	520,156
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	37	37	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 709,484	188,763	\$ 520,721
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(163,532)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		120,000	
Transfers-in		62,898	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		182,898	
NET CHANGE IN FUND BALANCES.....		19,366	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		227,420	
Outstanding Encumbrances at Beginning of Fiscal Year		6	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 246,792	

TOBACCO SETTLEMENT			CLEAN OHIO PROGRAM		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			—	
	—			1,613	
	365,410			—	
	6,647			2,585	
	3,099			17	
	<u>375,156</u>			<u>4,215</u>	
\$ —	—	\$ —	\$ —	—	\$ —
57,275	4,286	52,989	—	—	—
—	—	—	—	—	—
12,344	11,743	601	—	—	—
12,866	9,570	3,296	—	—	—
—	—	—	1,663	84	1,579
—	—	—	—	—	—
165,211	165,127	84	—	—	—
22,500	22,241	259	2,534	327	2,207
—	—	—	200,017	72,310	127,707
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 270,196</u>	<u>212,967</u>	<u>\$ 57,229</u>	<u>\$ 204,214</u>	<u>72,721</u>	<u>\$ 131,493</u>
	<u>162,189</u>			<u>(68,506)</u>	
	—			50,000	
	57,191			150	
	(199,941)			(329)	
	<u>(142,750)</u>			<u>49,821</u>	
	19,439			<u>(18,685)</u>	
	141,665			50,786	
	885			12	
	<u>\$ 161,989</u>			<u>\$ 32,113</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)
(continued)

	HIGHER EDUCATION IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		\$ —	
Sales Taxes		—	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Cigarette Taxes.....		—	
Other Taxes		—	
Licenses, Permits and Fees		—	
Sales, Services and Charges		—	
Federal Government		—	
Tobacco Settlement.....		—	
Investment Income		9,837	
Other		15	
TOTAL REVENUES.....		9,852	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	\$ —	—	\$ —
Higher Education Support	1,130,267	459,226	671,041
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	—	—	—
Community and Economic Development	—	—	—
INTERGOVERNMENTAL.....	—	—	—
CAPITAL OUTLAY	—	—	—
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 1,130,267	459,226	\$ 671,041
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(449,374)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		325,000	
Transfers-in		—	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		325,000	
NET CHANGE IN FUND BALANCES.....		(124,374)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(40,298)	
Outstanding Encumbrances at Beginning of Fiscal Year		154,855	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (9,817)	

TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ 6,024	
	16,347	
	13,701	
	15,772	
	2	
	37,726	
	608,153	
	33,700	
	2,670,747	
	365,410	
	43,888	
	322,174	
	4,133,644	
\$ 1,863	331	\$ 1,532
1,187,542	463,512	724,030
1,188,109	1,176,813	11,296
1,728,119	1,489,751	238,368
754,689	630,427	124,262
422,555	299,162	123,393
6,056	3,128	2,928
383,934	335,007	48,927
1,081,383	887,291	194,092
907,793	259,930	647,863
43,756	17,502	26,254
15,293	12,222	3,071
\$ 7,721,092	5,575,076	\$ 2,146,016
	(1,441,432)	
	495,000	
	355,308	
	(273,428)	
	576,880	
	(864,552)	
	430,678	
	968,696	
	\$ 534,822	

NONMAJOR DEBT SERVICE FUNDS

The **Debt Service Funds** account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The **Coal Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

The **Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

The **Highway Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

The **Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

The **Highway General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

The **Public Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, water pollution controls, parks, and natural resources.

The **Vietnam Conflict Compensation General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

The **Local Infrastructure Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

The **State Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

The **Highway Capital Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

The **Higher Education Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

The **Common Schools Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

The **Conservation Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

The **Economic Development Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds issued to finance loans to individuals, corporations, and agencies within the State for economic development projects that create or retain jobs in the State.

The **Infrastructure Bank Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds that have been authorized under the authority of Section 5531.10, Ohio Revised Code, to finance the construction of the Spring-Sandusky Highway Project in Columbus.

The **Revitalization Project Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds to finance the costs of environmentally safe and productive development, use, or reuse of publicly and privately owned lands, including those within urban areas.

The **Higher Education Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities.

The **Mental Health Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of mental health facilities.

The **Parks and Recreation Facilities Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of parks and recreation projects and state park facilities.

The **School Building Program Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the costs of school buildings and classroom facilities used by public school districts for elementary and secondary education purposes.

The **Ohio Building Authority Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of state office buildings and the costs of capital improvements for the Departments of Administrative Services, Youth Services, Transportation, Rehabilitation and Correction, Natural Resources, and Public Safety and for the Arts and Sports Facilities Commission.

The **Transportation Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that financed the acquisition of the Department of Transportation's Panhandle Rail Line Project.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2003
(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	IMPROVEMENTS GENERAL OBLIGATIONS	HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer	\$ 41	\$ —	\$ —
Cash and Cash Equivalents	—	130	55
Investments	—	—	—
Collateral on Lent Securities	14	—	—
Loans Receivable, Net	—	—	—
Other Receivables	—	—	—
TOTAL ASSETS	\$ 55	\$ 130	\$ 55
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accrued Liabilities	\$ —	\$ —	\$ —
Obligations Under Securities Lending	14	—	—
Deferred Revenue	—	—	—
Refund and Other Liabilities	—	130	55
TOTAL LIABILITIES	14	130	55
FUND BALANCES:			
Reserved for:			
Debt Service	41	—	—
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated (Deficits)	—	—	—
TOTAL FUND BALANCES (DEFICITS)	41	—	—
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 55	\$ 130	\$ 55

<u>DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>	<u>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>
\$ —	\$ 37,014	\$ —	\$ —	\$ 105	\$ 1,129
268	420	155	28	—	—
—	—	—	—	—	—
—	12,391	—	—	28	380
—	—	—	—	—	—
—	41	—	—	—	1
<u>\$ 268</u>	<u>\$ 49,866</u>	<u>\$ 155</u>	<u>\$ 28</u>	<u>\$ 133</u>	<u>\$ 1,510</u>
\$ —	\$ —	\$ —	\$ —	\$ 154	\$ —
—	12,391	—	—	28	380
—	9	—	—	—	—
<u>268</u>	<u>170</u>	<u>155</u>	<u>25</u>	<u>—</u>	<u>—</u>
<u>268</u>	<u>12,570</u>	<u>155</u>	<u>25</u>	<u>182</u>	<u>380</u>
—	37,296	—	—	—	1,130
—	—	—	—	—	—
—	—	—	3	—	—
—	—	—	—	(49)	—
<u>—</u>	<u>37,296</u>	<u>—</u>	<u>3</u>	<u>(49)</u>	<u>1,130</u>
<u>\$ 268</u>	<u>\$ 49,866</u>	<u>\$ 155</u>	<u>\$ 28</u>	<u>\$ 133</u>	<u>\$ 1,510</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</u>	<u>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 10,219	\$ 11,990	\$ 221
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Collateral on Lent Securities	3,312	4,035	65
Loans Receivable, Net	—	—	—
Other Receivables	11	13	—
TOTAL ASSETS	\$ 13,542	\$ 16,038	\$ 286
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accrued Liabilities	\$ —	\$ —	\$ —
Obligations Under Securities Lending	3,312	4,035	65
Deferred Revenue	2	3	—
Refund and Other Liabilities	—	—	—
TOTAL LIABILITIES	3,314	4,038	65
FUND BALANCES:			
Reserved for:			
Debt Service	10,228	12,000	221
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated (Deficits)	—	—	—
TOTAL FUND BALANCES (DEFICITS)	10,228	12,000	221
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 13,542	\$ 16,038	\$ 286

<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>	<u>ECONOMIC DEVELOPMENT REVENUE BONDS</u>	<u>INFRASTRUCTURE BANK REVENUE BONDS</u>	<u>REVITALIZATION PROJECT REVENUE BONDS</u>	<u>HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS</u>	<u>MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS</u>
\$ 36	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	10	2	94
—	5,356	562	6,175	754	2,060
12	1,159	—	1,336	163	446
—	—	—	—	1,316	—
—	—	—	—	—	—
<u>\$ 48</u>	<u>\$ 6,515</u>	<u>\$ 562</u>	<u>\$ 7,521</u>	<u>\$ 2,235</u>	<u>\$ 2,600</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 164
12	1,159	—	1,336	163	446
—	—	—	—	—	—
—	—	—	—	—	—
<u>12</u>	<u>1,159</u>	<u>—</u>	<u>1,336</u>	<u>163</u>	<u>610</u>
36	5,356	562	6,185	756	1,990
—	—	—	—	1,316	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>36</u>	<u>5,356</u>	<u>562</u>	<u>6,185</u>	<u>2,072</u>	<u>1,990</u>
<u>\$ 48</u>	<u>\$ 6,515</u>	<u>\$ 562</u>	<u>\$ 7,521</u>	<u>\$ 2,235</u>	<u>\$ 2,600</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2003
(dollars in thousands)
(continued)

	PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS	SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS	OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer	\$ —	\$ —	\$ —
Cash and Cash Equivalents	—	—	18
Investments	139	396	46,049
Collateral on Lent Securities	30	86	—
Loans Receivable, Net	—	—	—
Other Receivables	—	—	12
TOTAL ASSETS	\$ 169	\$ 482	\$ 46,079
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accrued Liabilities	\$ —	\$ —	\$ —
Obligations Under Securities Lending	30	86	—
Deferred Revenue	—	—	—
Refund and Other Liabilities	—	—	8,257
TOTAL LIABILITIES	30	86	8,257
FUND BALANCES:			
Reserved for:			
Debt Service	139	396	37,822
Noncurrent Portion of Loans Receivable	—	—	—
Other:			
Assets in Excess of Debt Service Requirements	—	—	—
Unreserved/Undesignated (Deficits)	—	—	—
TOTAL FUND BALANCES (DEFICITS)	139	396	37,822
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 169	\$ 482	\$ 46,079

<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>TOTAL</u>
\$ —	\$ 60,755
56	1,236
887	62,378
—	23,457
—	1,316
—	78
<u>\$ 943</u>	<u>\$ 149,220</u>

\$ —	\$ 318
—	23,457
—	14
—	9,060
<u>—</u>	<u>32,849</u>

943	115,101
—	1,316
—	3
—	(49)
<u>943</u>	<u>116,371</u>
<u>\$ 943</u>	<u>\$ 149,220</u>

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	HIGHWAY GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS
REVENUES:			
Motor Vehicle Fuel Taxes	\$ —	\$ 29,915	\$ —
Licenses, Permits and Fees	—	3,117	—
Investment Income	3	1,484	—
Other	—	—	—
TOTAL REVENUES	3	34,516	—
EXPENDITURES:			
DEBT SERVICE	9,949	47,614	—
TOTAL EXPENDITURES	9,949	47,614	—
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,946)	(13,098)	—
OTHER FINANCING SOURCES (USES):			
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	—	—	—
Bond Discounts	—	—	—
Transfers-in	9,946	—	—
TOTAL OTHER FINANCING SOURCES (USES)	9,946	—	—
NET CHANGE IN FUND BALANCES	—	(13,098)	—
FUND BALANCES (DEFICITS), JULY 1	41	50,394	3
FUND BALANCES (DEFICITS), JUNE 30	\$ 41	\$ 37,296	\$ 3

LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS	STATE PROJECTS GENERAL OBLIGATIONS	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS	HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS	COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS	CONSERVATION PROJECTS GENERAL OBLIGATIONS
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
148	3	2,517	128	201	—
9,160	—	—	—	1	—
9,308	3	2,517	128	202	—
142,930	18,970	138,075	69,895	62,090	4,272
142,930	18,970	138,075	69,895	62,090	4,272
(133,622)	(18,967)	(135,558)	(69,767)	(61,888)	(4,272)
510,145	17,640	—	54,975	—	—
(525,681)	(18,029)	—	(63,084)	—	—
56,063	1,774	10,965	31,810	20,227	—
(33,649)	—	—	—	—	—
126,575	18,691	130,952	57,978	41,903	3,436
133,453	20,076	141,917	81,679	62,130	3,436
(169)	1,109	6,359	11,912	242	(836)
120	21	3,869	88	(21)	872
\$ (49)	\$ 1,130	\$ 10,228	\$ 12,000	\$ 221	\$ 36

(continued)

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	ECONOMIC DEVELOPMENT REVENUE BONDS	INFRASTRUCTURE BANK REVENUE BONDS	REVITALIZATION PROJECT REVENUE BONDS
REVENUES:			
Motor Vehicle Fuel Taxes	\$ —	\$ —	\$ —
Licenses, Permits and Fees	—	—	—
Investment Income	72	553	48
Other	—	—	—
TOTAL REVENUES	72	553	48
EXPENDITURES:			
DEBT SERVICE	16,145	50,151	1,932
TOTAL EXPENDITURES	16,145	50,151	1,932
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,073)	(49,598)	(1,884)
OTHER FINANCING SOURCES (USES):			
Refunding Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agents	—	—	—
Bond Premiums	—	1,002	4,646
Bond Discounts	—	—	—
Transfers-in	16,069	48,856	3,423
TOTAL OTHER FINANCING SOURCES (USES)	16,069	49,858	8,069
NET CHANGE IN FUND BALANCES	(4)	260	6,185
FUND BALANCES (DEFICITS), JULY 1	5,360	302	—
FUND BALANCES (DEFICITS), JUNE 30	\$ 5,356	\$ 562	\$ 6,185

HIGHER EDUCATION FACILITIES SPECIAL OBLIGATIONS	MENTAL HEALTH FACILITIES SPECIAL OBLIGATIONS	PARKS AND RECREATION FACILITIES SPECIAL OBLIGATIONS	SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS	OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS	TRANSPORTATION CERTIFICATES OF PARTICIPATION
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
39	30	8	11	514	68
—	—	—	—	—	696
39	30	8	11	514	764
267,317	51,730	14,091	37,673	311,392	767
267,317	51,730	14,091	37,673	311,392	767
(267,278)	(51,700)	(14,083)	(37,662)	(310,878)	(3)
289,340	46,280	16,100	—	90,560	—
(316,415)	(50,126)	(16,105)	—	(102,441)	—
28,961	7,112	126	—	14,066	—
—	—	—	—	—	—
264,575	50,256	13,535	37,643	309,471	—
266,461	53,522	13,656	37,643	311,656	—
(817)	1,822	(427)	(19)	778	(3)
2,889	168	566	415	37,044	946
\$ 2,072	\$ 1,990	\$ 139	\$ 396	\$ 37,822	\$ 943

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>TOTAL</u>
REVENUES:	
Motor Vehicle Fuel Taxes.....	\$ 29,915
Licenses, Permits and Fees.....	3,117
Investment Income.....	5,827
Other.....	<u>9,857</u>
TOTAL REVENUES.....	<u>48,716</u>
EXPENDITURES:	
DEBT SERVICE.....	<u>1,244,993</u>
TOTAL EXPENDITURES.....	<u>1,244,993</u>
EXCESS (DEFICIENCY) OF REVENUES	
OVER (UNDER) EXPENDITURES.....	<u>(1,196,277)</u>
OTHER FINANCING SOURCES (USES):	
Refunding Bonds Issued.....	1,025,040
Payment to Refunded Bond Escrow Agents.....	(1,091,881)
Bond Premiums.....	176,752
Bond Discounts.....	(33,649)
Transfers-in.....	<u>1,133,309</u>
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,209,571</u>
NET CHANGE IN FUND BALANCES.....	13,294
FUND BALANCES (DEFICITS), JULY 1.....	<u>103,077</u>
FUND BALANCES (DEFICITS), JUNE 30.....	<u>\$ 116,371</u>

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Motor Vehicle Fuel Taxes		\$ —	
Licenses, Permits and Fees		—	
Investment Income		4	
Other		9,946	
TOTAL REVENUES.....		9,950	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 17,820	9,958	\$ 7,862
TOTAL BUDGETARY EXPENDITURES.....	\$ 17,820	9,958	\$ 7,862
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(8)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		—	
NET CHANGE IN FUND BALANCES.....		(8)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		48	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 40	

HIGHWAY GENERAL OBLIGATIONS			LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ 29,915			\$ —	
	3,118			—	
	1,924			134	
	—			126,575	
	<u>34,957</u>			<u>126,709</u>	
\$ 47,614	47,614	\$ —	\$ 149,036	139,013	\$ 10,023
<u>\$ 47,614</u>	<u>47,614</u>	<u>\$ —</u>	<u>\$ 149,036</u>	<u>139,013</u>	<u>\$ 10,023</u>
	<u>(12,657)</u>			<u>(12,304)</u>	
	—			12,276	
	—			—	
	—			—	
	<u>—</u>			<u>12,276</u>	
	<u>(12,657)</u>			<u>(28)</u>	
	49,402			112	
	<u>\$ 36,745</u>			<u>\$ 84</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)
(continued)

STATE PROJECTS GENERAL OBLIGATIONS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Motor Vehicle Fuel Taxes		\$ —	
Licenses, Permits and Fees		—	
Investment Income		3	
Other		18,691	
TOTAL REVENUES.....		18,694	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 30,707	18,723	\$ 11,984
TOTAL BUDGETARY EXPENDITURES.....	\$ 30,707	18,723	\$ 11,984
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(29)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		1,117	
Transfers-in		—	
Transfers-out		—	
TOTAL OTHER FINANCING SOURCES (USES).....		1,117	
NET CHANGE IN FUND BALANCES.....		1,088	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		40	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 1,128	

**HIGHWAY CAPITAL IMPROVEMENTS
GENERAL OBLIGATIONS**

BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
	\$ —	
	—	
	2,511	
	—	
	2,511	
\$ 152,122	136,926	\$ 15,196
\$ 152,122	136,926	\$ 15,196
	(134,415)	
	9,816	
	130,952	
	—	
	140,768	
	6,353	
	3,468	
	\$ 9,821	

**HIGHER EDUCATION CAPITAL FACILITIES
GENERAL OBLIGATIONS**

BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL	
	\$ —	
	—	
	99	
	57,978	
	58,077	
\$ 74,367	67,738	\$ 6,629
\$ 74,367	67,738	\$ 6,629
	(9,661)	
	21,419	
	—	
	—	
	21,419	
	11,758	
	207	
	\$ 11,965	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)
(continued)

COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Motor Vehicle Fuel Taxes		\$ —	
Licenses, Permits and Fees		—	
Investment Income		181	
Other		41,903	
TOTAL REVENUES.....		42,084	
BUDGETARY EXPENDITURES:			
DEBT SERVICE.....	\$ 63,212	61,674	\$ 1,538
TOTAL BUDGETARY EXPENDITURES.....	\$ 63,212	61,674	\$ 1,538
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(19,590)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		19,647	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		19,647	
NET CHANGE IN FUND BALANCES.....		57	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....		135	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ 192	

CONSERVATION PROJECTS GENERAL OBLIGATIONS			TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
FINAL	ACTUAL		FINAL	ACTUAL	
	\$ —			\$ 29,915	
	—			3,118	
	9			4,865	
	3,437			258,530	
	<u>3,446</u>			<u>296,428</u>	
\$ 8,290	4,364	\$ 3,926	\$ 543,168	486,010	\$ 57,158
<u>\$ 8,290</u>	<u>4,364</u>	<u>\$ 3,926</u>	<u>\$ 543,168</u>	<u>486,010</u>	<u>\$ 57,158</u>
	(918)			(189,582)	
	—			64,275	
	—			130,952	
	—			—	
	—			<u>195,227</u>	
	(918)			5,645	
	954			54,366	
<u>\$ 36</u>			<u>\$ 60,011</u>		

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NONMAJOR CAPITAL PROJECTS FUNDS

The **Capital Projects Funds** account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Infrastructure Bank Obligations Fund** accounts for bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

The **Mental Health/Mental Retardation Facilities Improvements Fund** accounts for bond proceeds that finance the construction of mental health/mental retardation facilities.

The **Parks and Recreation Improvements Fund** accounts for bond proceeds that finance the capital improvement of parks and recreation facilities.

The **Administrative Services Building Improvements Fund** accounts for bond proceeds that finance capital improvements for the Department of Administrative Services.

The **Youth Services Building Improvements Fund** accounts for bond proceeds that finance capital improvements for the Department of Youth Services.

The **Transportation Building Improvements Fund** accounts for bond proceeds that finance capital improvements for the Department of Transportation.

The **Adult Correctional Building Improvements Fund** accounts for bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

The **Highway Safety Building Improvements Fund** accounts for bond proceeds that finance capital improvements for the Department of Public Safety.

The **Ohio Parks and Natural Resources Fund** accounts for bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

The **Highway Capital Improvement Fund** accounts for bond proceeds that finance capital improvements to the state highway system.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2003
(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
ASSETS:			
Cash Equity with Treasurer	\$ 71,676	\$ 35,480	\$ 14,138
Collateral on Lent Securities	24,028	11,931	4,727
Other Receivables	79	33	16
TOTAL ASSETS	\$ 95,783	\$ 47,444	\$ 18,881
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 5,195	\$ 1,079	\$ 628
Obligations Under Securities Lending	24,028	11,931	4,727
Deferred Revenue	17	7	3
TOTAL LIABILITIES	29,240	13,017	5,358
FUND BALANCES:			
Reserved for:			
Encumbrances	185,227	17,061	20,117
Unreserved/Undesignated (Deficits)	(118,684)	17,366	(6,594)
TOTAL FUND BALANCES (DEFICITS)	66,543	34,427	13,523
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 95,783	\$ 47,444	\$ 18,881

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>
\$ 1,485	\$ 20,115	\$ 70	\$ 35,761	\$ 7,661	\$ 35,391
456	6,761	23	11,991	2,560	11,909
1	22	—	40	8	6
<u>\$ 1,942</u>	<u>\$ 26,898</u>	<u>\$ 93</u>	<u>\$ 47,792</u>	<u>\$ 10,229</u>	<u>\$ 47,306</u>
\$ 11,850	\$ 2,187	\$ 2	\$ 4,414	\$ 207	\$ 1,060
456	6,761	23	11,991	2,560	11,909
—	5	—	9	2	1
<u>12,306</u>	<u>8,953</u>	<u>25</u>	<u>16,414</u>	<u>2,769</u>	<u>12,970</u>
52,337	11,884	75	49,873	14,202	18,588
(62,701)	6,061	(7)	(18,495)	(6,742)	15,748
(10,364)	17,945	68	31,378	7,460	34,336
<u>\$ 1,942</u>	<u>\$ 26,898</u>	<u>\$ 93</u>	<u>\$ 47,792</u>	<u>\$ 10,229</u>	<u>\$ 47,306</u>

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>	<u>TOTAL</u>
ASSETS:		
Cash Equity with Treasurer	\$ 96,162	\$ 317,939
Collateral on Lent Securities	32,281	106,667
Other Receivables	<u>107</u>	<u>312</u>
TOTAL ASSETS	<u>\$ 128,550</u>	<u>\$ 424,918</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts Payable	\$ 6,572	\$ 33,194
Obligations Under Securities Lending	32,281	106,667
Deferred Revenue	<u>23</u>	<u>67</u>
TOTAL LIABILITIES	<u>38,876</u>	<u>139,928</u>
FUND BALANCES:		
Reserved for:		
Encumbrances	173,467	542,831
Unreserved/Undesignated (Deficits)	<u>(83,793)</u>	<u>(257,841)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>89,674</u>	<u>284,990</u>
TOTAL LIABILITIES AND FUND BALANCES ...	<u>\$ 128,550</u>	<u>\$ 424,918</u>

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STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
REVENUES:			
Sales, Services and Charges	\$ —	\$ 52	\$ —
Federal Government.	—	—	275
Investment Income	2,387	482	776
Other.	—	478	49
TOTAL REVENUES	2,387	1,012	1,100
EXPENDITURES:			
CAPITAL OUTLAY	110,714	30,571	14,853
DEBT SERVICE	—	—	—
TOTAL EXPENDITURES	110,714	30,571	14,853
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108,327)	(29,559)	(13,753)
OTHER FINANCING SOURCES (USES):			
Bonds Issued	135,000	60,000	—
Bond Premiums	8,719	—	—
Transfers-out	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	143,719	60,000	—
NET CHANGE IN FUND BALANCES	35,392	30,441	(13,753)
FUND BALANCES, JULY 1	31,151	3,986	27,276
FUND BALANCES (DEFICITS), JUNE 30	\$ 66,543	\$ 34,427	\$ 13,523

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
456	224	3	1,080	357	319
920	—	—	13	—	29
<u>1,376</u>	<u>224</u>	<u>3</u>	<u>1,093</u>	<u>357</u>	<u>348</u>
115,016	30,871	190	36,251	11,192	18,769
—	—	—	416	175	1,406
<u>115,016</u>	<u>30,871</u>	<u>190</u>	<u>36,667</u>	<u>11,367</u>	<u>20,175</u>
<u>(113,640)</u>	<u>(30,647)</u>	<u>(187)</u>	<u>(35,574)</u>	<u>(11,010)</u>	<u>(19,827)</u>
—	30,000	—	50,000	—	30,000
—	—	—	3,481	—	—
(7)	—	—	—	—	—
<u>(7)</u>	<u>30,000</u>	<u>—</u>	<u>53,481</u>	<u>—</u>	<u>30,000</u>
<u>(113,647)</u>	<u>(647)</u>	<u>(187)</u>	<u>17,907</u>	<u>(11,010)</u>	<u>10,173</u>
103,283	18,592	255	13,471	18,470	24,163
<u>\$ (10,364)</u>	<u>\$ 17,945</u>	<u>\$ 68</u>	<u>\$ 31,378</u>	<u>\$ 7,460</u>	<u>\$ 34,336</u>

(continued)

STATE OF OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(dollars in thousands)
(continued)

	<u>HIGHWAY CAPITAL IMPROVEMENT</u>	<u>TOTAL</u>
REVENUES:		
Sales, Services and Charges	\$ —	\$ 52
Federal Government.	—	275
Investment Income	2,127	8,211
Other.	<u>156</u>	<u>1,645</u>
TOTAL REVENUES	<u>2,283</u>	<u>10,183</u>
EXPENDITURES:		
CAPITAL OUTLAY	111,094	479,521
DEBT SERVICE	<u>1,174</u>	<u>3,171</u>
TOTAL EXPENDITURES	<u>112,268</u>	<u>482,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,985)</u>	<u>(472,509)</u>
OTHER FINANCING SOURCES (USES):		
Bonds Issued	135,000	440,000
Bond Premiums	—	12,200
Transfers-out	<u>—</u>	<u>(7)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>135,000</u>	<u>452,193</u>
NET CHANGE IN FUND BALANCES	<u>25,015</u>	<u>(20,316)</u>
FUND BALANCES, JULY 1	<u>64,659</u>	<u>305,306</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 89,674</u>	<u>\$ 284,990</u>

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STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003 (dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		2,673	
Other		—	
TOTAL REVENUES.....		2,673	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 308,133	306,678	\$ 1,455
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 308,133	306,678	\$ 1,455
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(304,005)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		143,719	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		143,719	
NET CHANGE IN FUND BALANCES.....		(160,286)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....		(247,342)	
Outstanding Encumbrances at Beginning of Fiscal Year		288,620	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (119,008)	

**MENTAL HEALTH/MENTAL RETARDATION
FACILITIES IMPROVEMENTS**

PARKS AND RECREATION IMPROVEMENTS

<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 52			\$ —	
	—			275	
	528			723	
	478			50	
	<u>1,058</u>			<u>1,048</u>	
\$ 144,997	51,132	\$ 93,865	\$ 77,475	36,100	\$ 41,375
—	—	—	—	—	—
<u>\$ 144,997</u>	<u>51,132</u>	<u>\$ 93,865</u>	<u>\$ 77,475</u>	<u>36,100</u>	<u>\$ 41,375</u>
	<u>(50,074)</u>			<u>(35,052)</u>	
	60,000			—	
	—			—	
	—			—	
	<u>60,000</u>			<u>—</u>	
	9,926			(35,052)	
	(30,201)			3,113	
	<u>37,521</u>			<u>25,212</u>	
	<u>\$ 17,246</u>			<u>\$ (6,727)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		1,673	
Other		910	
TOTAL REVENUES.....		2,583	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 370,271	170,365	\$ 199,906
DEBT SERVICE.....	—	—	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 370,271	170,365	\$ 199,906
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(167,782)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		—	
Transfers-in		10	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		10	
NET CHANGE IN FUND BALANCES.....		(167,772)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....		55,919	
Outstanding Encumbrances at Beginning of Fiscal Year		49,022	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (62,831)	

YOUTH SERVICES BUILDING IMPROVEMENTS			TRANSPORTATION BUILDING IMPROVEMENTS		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ —			\$ —	
	—			—	
	498			7	
	—			—	
	<u>498</u>			<u>7</u>	
\$ 69,725	47,270	\$ 22,455	\$ 300	265	\$ 35
—	—	—	—	—	—
<u>\$ 69,725</u>	<u>47,270</u>	<u>\$ 22,455</u>	<u>\$ 300</u>	<u>\$ 265</u>	<u>\$ 35</u>
	<u>(46,772)</u>			<u>(258)</u>	
	30,000			—	
	—			—	
	—			—	
	<u>30,000</u>			<u>—</u>	
	<u>(16,772)</u>			<u>(258)</u>	
	(18,249)			251	
	<u>41,000</u>			<u>—</u>	
	<u>\$ 5,979</u>			<u>\$ (7)</u>	

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

ADULT CORRECTIONAL BUILDING IMPROVEMENTS			
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		1,284	
Other		—	
TOTAL REVENUES.....		1,284	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 255,779	93,752	\$ 162,027
DEBT SERVICE.....	416	416	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 256,195	94,168	\$ 162,027
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(92,884)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		53,495	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		53,495	
NET CHANGE IN FUND BALANCES.....		(39,389)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....		(26,283)	
Outstanding Encumbrances at Beginning of Fiscal Year		46,943	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (18,729)	

HIGHWAY SAFETY BUILDING IMPROVEMENTS			OHIO PARKS AND NATURAL RESOURCES		
<u>BUDGET</u>		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	<u>BUDGET</u>		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ —			\$ —	
	—			—	
	547			565	
	—			29	
	<u>547</u>			<u>594</u>	
\$ 34,041	25,415	\$ 8,626	\$ 104,427	39,444	\$ 64,983
175	175	—	1,406	1,406	—
<u>\$ 34,216</u>	<u>25,590</u>	<u>\$ 8,626</u>	<u>\$ 105,833</u>	<u>40,850</u>	<u>\$ 64,983</u>
	<u>(25,043)</u>			<u>(40,256)</u>	
	—			30,000	
	—			—	
	—			—	
	<u>—</u>			<u>30,000</u>	
	<u>(25,043)</u>			<u>(10,256)</u>	
	10,495			5,502	
	<u>7,732</u>			<u>20,437</u>	
<u>\$ (6,816)</u>			<u>\$ 15,683</u>		

(continued)

STATE OF OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	HIGHWAY CAPITAL IMPROVEMENT		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Sales, Services and Charges.....		\$ —	
Federal Government.....		—	
Investment Income		2,886	
Other		156	
TOTAL REVENUES.....		3,042	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY.....	\$ 393,917	293,299	\$ 100,618
DEBT SERVICE.....	1,174	1,174	—
TOTAL BUDGETARY EXPENDITURES.....	\$ 395,091	294,473	\$ 100,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....		(291,431)	
OTHER FINANCING SOURCES (USES):			
Bond Proceeds		135,000	
Transfers-in		—	
Transfers-out.....		—	
TOTAL OTHER FINANCING SOURCES (USES).....		135,000	
NET CHANGE IN FUND BALANCES.....		(156,431)	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1 (as restated).....		(87,900)	
Outstanding Encumbrances at Beginning of Fiscal Year		160,333	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		\$ (83,998)	

TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ 52	
	275	
	11,384	
	1,623	
	13,334	
\$ 1,759,065	1,063,720	\$ 695,345
3,171	3,171	—
\$ 1,762,236	1,066,891	\$ 695,345
	(1,053,557)	
	452,214	
	10	
	—	
	452,224	
	(601,333)	
	(334,695)	
	676,820	
	\$ (259,208)	

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AGENCY FUNDS

The **Agency Funds** account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

The **Holding and Distribution Fund** accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

The **Centralized Child Support Collections Fund** accounts for assets temporarily held for custodial parents.

The **Ohio Building Authority Fund** accounts for assets pending disbursement for capital maintenance and repairs on buildings owned by the Bureau of Workers' Compensation.

The **Tax Refunds Fund** accounts for assets held to liquidate the State's tax refund obligations.

The **Payroll Withholding and Fringe Benefits Fund** primarily accounts for assets held to liquidate the State's payroll withholding obligations.

The **Retirement Systems Fund** accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

The **Other Fund** accounts for assets held for others, which are not accounted for in another agency fund.

STATE OF OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2003
(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	OHIO BUILDING AUTHORITY
ASSETS:			
Cash Equity with Treasurer.....	\$ 13,668	\$ —	\$ —
Cash and Cash Equivalents.....	7,523	90,609	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	—	—	14,239
Common and Preferred Stock.....	—	—	—
Corporate Bonds and Notes.....	—	—	—
Foreign Stocks and Bonds.....	—	—	—
Commercial Paper.....	—	—	—
Repurchase Agreements.....	—	—	—
Mutual Funds.....	—	—	—
Real Estate.....	—	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	—	—	—
State Treasury Asset Reserve of Ohio (STAROhio).....	—	23,130	—
Collateral on Lent Securities.....	3,712	5,004	—
Other Receivables.....	1,100	—	18
Other Assets.....	—	—	35
TOTAL ASSETS.....	\$ 26,003	\$ 118,743	\$ 14,292
LIABILITIES:			
Obligations Under Securities Lending.....	\$ 3,712	\$ 5,004	\$ —
Intergovernmental Payable.....	9,247	—	—
Refund and Other Liabilities.....	13,044	113,739	14,292
TOTAL LIABILITIES.....	\$ 26,003	\$ 118,743	\$ 14,292

TAX REFUNDS	PAYROLL WITHHOLDING AND FRINGE BENEFITS	RETIREMENT SYSTEMS	OTHER	TOTAL
\$ 7,798	\$ 84,388	\$ —	\$ 62,523	\$ 168,377
—	13,240	—	135,179	246,551
—	—	12,699,625	—	12,713,864
—	—	46,985,355	—	46,985,355
—	—	10,175,722	—	10,175,722
—	—	20,215,452	—	20,215,452
—	—	2,056,095	—	2,056,095
—	98	122,500	—	122,598
—	—	5,362,076	1,542	5,363,618
—	—	11,144,649	—	11,144,649
—	—	1,470,209	—	1,470,209
—	—	120,501	—	120,501
—	—	—	16,808	39,938
306	29,435	—	159,216	197,673
—	100	—	56	1,274
—	—	—	426,474	426,509
\$ 8,104	\$ 127,261	\$ 110,352,184	\$ 801,798	\$ 111,448,385
\$ 306	\$ 29,435	\$ —	\$ 159,216	\$ 197,673
—	359	—	57,205	66,811
7,798	97,467	110,352,184	585,377	111,183,901
\$ 8,104	\$ 127,261	\$ 110,352,184	\$ 801,798	\$ 111,448,385

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
HOLDING AND DISTRIBUTION				
ASSETS				
Cash Equity with Treasurer	\$ 23,356	\$ 903,144	\$ 912,832	\$ 13,668
Cash and Cash Equivalents	1,542	13,736	7,755	7,523
Collateral on Lent Securities	7,340	3,712	7,340	3,712
Other Receivables	1,116	1,220	1,236	1,100
Total Assets	\$ 33,354	\$ 921,812	\$ 929,163	\$ 26,003
LIABILITIES				
Obligations Under Securities Lending.....	\$ 7,340	\$ 3,712	\$ 7,340	\$ 3,712
Intergovernmental Payable	9,961	77,338	78,052	9,247
Refund and Other Liabilities	16,053	726,300	729,309	13,044
Total Liabilities	\$ 33,354	\$ 807,350	\$ 814,701	\$ 26,003
CENTRALIZED CHILD SUPPORT COLLECTIONS				
ASSETS				
Cash and Cash Equivalents	\$ 100,722	\$ 1,977,379	\$ 1,987,492	\$ 90,609
Investments.....	—	23,130	—	23,130
Collateral on Lent Securities.....	—	5,004	—	5,004
Total Assets	\$ 100,722	\$ 2,005,513	\$ 1,987,492	\$ 118,743
LIABILITIES				
Obligations Under Securities Lending.....	\$ —	\$ 5,004	\$ —	\$ 5,004
Refund and Other Liabilities	100,722	1,977,379	1,964,362	113,739
Total Liabilities	\$ 100,722	\$ 1,982,383	\$ 1,964,362	\$ 118,743
OHIO BUILDING AUTHORITY				
ASSETS				
Cash and Cash Equivalents	\$ —	\$ 669	\$ 669	\$ —
Investments	21,221	65,094	72,076	14,239
Other Receivables	187	198	367	18
Other Assets.....	31	37	33	35
Total Assets	\$ 21,439	\$ 65,998	\$ 73,145	\$ 14,292
LIABILITIES				
Refund and Other Liabilities	\$ 21,439	\$ 87,191	\$ 94,338	\$ 14,292
Total Liabilities	\$ 21,439	\$ 87,191	\$ 94,338	\$ 14,292
TAX REFUNDS				
ASSETS				
Cash Equity with Treasurer	\$ 4,594	\$ 1,370,295	\$ 1,367,091	\$ 7,798
Collateral on Lent Securities.....	1,445	306	1,445	306
Total Assets	\$ 6,039	\$ 1,370,601	\$ 1,368,536	\$ 8,104
LIABILITIES				
Obligations Under Securities Lending.....	\$ 1,445	\$ 306	\$ 1,445	\$ 306
Refund and Other Liabilities	4,594	1,370,295	1,367,091	7,798
Total Liabilities	\$ 6,039	\$ 1,370,601	\$ 1,368,536	\$ 8,104

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
PAYROLL WITHHOLDING AND FRINGE BENEFITS				
ASSETS				
Cash Equity with Treasurer	\$ 59,307	\$ 2,423,852	\$ 2,398,771	\$ 84,388
Cash and Cash Equivalents	1,768	287,644	276,172	13,240
Investments.....	74	98	74	98
Collateral on Lent Securities.....	19,114	29,435	19,114	29,435
Other Receivables.....	121	1,168	1,189	100
Total Assets	<u>\$ 80,384</u>	<u>\$ 2,742,197</u>	<u>\$ 2,695,320</u>	<u>\$ 127,261</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 19,114	\$ 29,435	\$ 19,114	\$ 29,435
Intergovernmental Payable	355	444,355	444,351	359
Refund and Other Liabilities	60,915	1,412,160	1,375,608	97,467
Total Liabilities	<u>\$ 80,384</u>	<u>\$ 1,885,950</u>	<u>\$ 1,839,073</u>	<u>\$ 127,261</u>
RETIREMENT SYSTEMS				
ASSETS				
Investments	\$ 117,331,746	\$ 195,183,840	\$ 202,163,402	\$ 110,352,184
Total Assets	<u>\$ 117,331,746</u>	<u>\$ 195,183,840</u>	<u>\$ 202,163,402</u>	<u>\$ 110,352,184</u>
LIABILITIES				
Refund and Other Liabilities:				
Liability to:				
Public Employees Retirement System	\$ 53,533,943	\$ 37,376,978	\$ 43,417,853	\$ 47,493,068
Ohio Police and Fire Fund.....	8,479,072	14,431,308	15,353,293	7,557,087
School Employees Retirement System	7,602,776	96,488,986	96,656,664	7,435,098
State Teachers Retirement System	47,715,955	46,886,568	46,735,592	47,866,931
Total Liabilities	<u>\$ 117,331,746</u>	<u>\$ 195,183,840</u>	<u>\$ 202,163,402</u>	<u>\$ 110,352,184</u>
OTHER				
ASSETS				
Cash Equity with Treasurer	\$ 78,816	\$ 1,660,806	\$ 1,677,099	\$ 62,523
Cash and Cash Equivalents.....	79,484	6,047,577	5,991,882	135,179
Investments	16,828	5,776	4,254	18,350
Collateral on Lent Securities.....	68,171	159,216	68,171	159,216
Other Receivables	91	953	988	56
Other Assets	429,122	113,556	116,204	426,474
Total Assets	<u>\$ 672,512</u>	<u>\$ 7,987,884</u>	<u>\$ 7,858,598</u>	<u>\$ 801,798</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 68,171	\$ 159,216	\$ 68,171	\$ 159,216
Intergovernmental Payable	70,460	1,642,746	1,656,001	57,205
Refund and Other Liabilities	533,881	6,182,788	6,131,292	585,377
Total Liabilities	<u>\$ 672,512</u>	<u>\$ 7,984,750</u>	<u>\$ 7,855,464</u>	<u>\$ 801,798</u>

(continued)

STATE OF OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
TOTAL AGENCY				
ASSETS				
Cash Equity with Treasurer	\$ 166,073	\$ 6,358,097	\$ 6,355,793	\$ 168,377
Cash and Cash Equivalents.....	183,516	8,327,005	8,263,970	246,551
Investments	117,369,869	195,277,938	202,239,806	110,408,001
Collateral on Lent Securities.....	96,070	197,673	96,070	197,673
Other Receivables	1,515	3,539	3,780	1,274
Other Assets	429,153	113,593	116,237	426,509
Total Assets	<u>\$ 118,246,196</u>	<u>\$ 210,277,845</u>	<u>\$ 217,075,656</u>	<u>\$ 111,448,385</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 96,070	\$ 197,673	\$ 96,070	\$ 197,673
Intergovernmental Payable	80,776	2,164,439	2,178,404	66,811
Refund and Other Liabilities	118,069,350	206,939,953	213,825,402	111,183,901
Total Liabilities	<u>\$ 118,246,196</u>	<u>\$ 209,302,065</u>	<u>\$ 216,099,876</u>	<u>\$ 111,448,385</u>

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NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

The **Nonmajor Discretely Presented Component Unit Funds** account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable. The Nonmajor Discretely Presented Component Unit Funds are presented in two separate reporting categories: **Governmental** and **Governmental Entities Engaged in Business-Type Activities – Colleges and Universities**.

Governmental

The **Arts and Sports Facilities Commission Fund** accounts for the revenues and expenditures associated with the Arts and Sports Facilities Commission's operations, including the construction of arts and sports facilities at the state and local level.

The **SchoolNet Commission Fund** accounts for the revenues and expenditures associated with the SchoolNet Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

Governmental Entities Engaged in Business-Type Activities – Colleges and Universities

The **Ohio University Fund** accounts for the operations of Ohio University located in Athens, Ohio.

The **Miami University Fund** accounts for the operations of Miami University located in Oxford, Ohio.

The **University of Akron Fund** accounts for the operations of the University of Akron.

The **Bowling Green State University Fund** accounts for the operations of Bowling Green State University.

The **Kent State University Fund** accounts for the operations of Kent State University.

The **University of Toledo Fund** accounts for the operations of the University of Toledo, including the University of Toledo Real Estate Corporation.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University.

The **Youngstown State University Fund** accounts for the operations of Youngstown State University.

The **Wright State University Fund** accounts for the operations of Wright State University located in Dayton, Ohio.

The **Shawnee State University Fund** accounts for the operations of Shawnee State University located in Portsmouth, Ohio.

The **Central State University Fund** accounts for the operations of Central State University located in Wilberforce, Ohio.

The **Medical College of Ohio Fund** accounts for the operations of the Medical College of Ohio at Toledo and its hospital.

The **Terra State Community College Fund** accounts for the operations of Terra State Community College located in Fremont, Ohio.

The **Columbus State Community College Fund** accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

The **Clark State Community College Fund** accounts for the operations of Clark State Community College located in Springfield, Ohio.

The **Edison State Community College Fund** accounts for the operations of Edison State Community College located in Piqua, Ohio.

The **Southern State Community College Fund** accounts for the operations of Southern State Community College located in Hillsboro, Ohio.

The **Washington State Community College Fund** accounts for the operations of Washington State Community College located in Marietta, Ohio.

The **Cincinnati State Community College Fund** accounts for the operations of Cincinnati State Community College.

The **Northwest State Community College Fund** accounts for the operations of Northwest State Community College located in Archbold, Ohio.

The **Owens State Community College Fund** accounts for the operations of Owens State Community College located in Toledo, Ohio.

STATE OF OHIO

COMBINING STATEMENT OF NET ASSETS

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2003

(dollars in thousands)

	GOVERNMENTAL		
	ARTS AND SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION	TOTAL GOVERNMENTAL
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ 8,900	\$ 11,930	\$ 20,830
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	2,986	4,004	6,990
Intergovernmental Receivable.....	—	—	—
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	7	892	899
Other Receivables.....	28	9	37
Inventories.....	—	—	—
Other Assets.....	4	3	7
TOTAL CURRENT ASSETS.....	11,925	16,838	28,763
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	16,351	—	16,351
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	5,485	—	5,485
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	49,893	1,284	51,177
Capital Assets Not Being Depreciated.....	11,858	—	11,858
TOTAL NONCURRENT ASSETS.....	83,587	1,284	84,871
TOTAL ASSETS.....	95,512	18,122	113,634
CURRENT LIABILITIES:			
Accounts Payable.....	8,605	252	8,857
Accrued Liabilities.....	30	200	230
Obligations Under Securities Lending.....	8,471	4,004	12,475
Intergovernmental Payable.....	—	—	—
Deferred Revenue.....	—	—	—
Refund and Other Liabilities.....	5	50	55
Bonds and Notes Payable.....	—	—	—
TOTAL CURRENT LIABILITIES.....	17,111	4,506	21,617
NONCURRENT LIABILITIES:			
Deferred Revenue.....	—	—	—
Refund and Other Liabilities.....	60	493	553
Bonds and Notes Payable.....	—	—	—
TOTAL NONCURRENT LIABILITIES.....	60	493	553
TOTAL LIABILITIES.....	17,171	4,999	22,170
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	61,751	1,284	63,035
Restricted for:			
Federal Programs.....	—	36	36
Intergovernmental and Capital Purposes.....	16,351	—	16,351
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	239	11,803	12,042
TOTAL NET ASSETS.....	\$ 78,341	\$ 13,123	\$ 91,464

COLLEGES AND UNIVERSITIES

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
12,332	36,488	52,538	2,058	177,151	290
90,360	126,852	60,218	120,489	8,714	67,820
—	—	—	—	—	—
2,814	2,581	—	—	—	7,976
1,934	3,161	1,395	1,438	—	2,188
2,363	4,164	—	177	1,362	1,778
35,864	14,983	26,361	8,226	19,143	11,319
1,537	3,216	1,053	3,930	1,675	362
14,638	1,590	8,998	168	3,540	1,788
161,842	193,035	150,563	136,486	211,585	93,521
—	—	—	—	—	—
14,986	—	—	—	—	—
11,727	95,064	—	—	—	30,463
—	—	—	—	—	—
26	—	43,133	20,609	113,162	43,666
9,095	5,582	8,548	6,617	21,463	13,533
—	881	5,136	—	—	—
—	—	—	—	3,997	3,292
356,864	366,448	338,951	269,375	362,461	248,034
96,240	18,981	75,184	13,240	48,804	33,756
488,938	486,956	470,952	309,841	549,887	372,744
650,780	679,991	621,515	446,327	761,472	466,265
—	—	—	—	—	—
15,558	12,446	8,451	7,628	10,552	6,979
25,862	15,820	18,064	9,114	16,070	7,606
—	—	—	—	—	—
388	—	—	—	—	—
20,418	11,416	33,769	13,991	28,950	11,949
4,584	9,658	4,063	6,219	13,232	14,898
30,643	4,320	5,510	7,067	1,815	4,780
97,453	53,660	69,857	44,019	70,619	46,212
—	—	—	—	1,697	—
19,512	18,761	20,290	14,082	21,773	11,668
102,022	39,955	196,865	87,929	272,575	157,567
121,534	58,716	217,155	102,011	296,045	169,235
218,987	112,376	287,012	146,030	366,664	215,447
334,621	335,968	254,984	208,529	225,257	163,704
—	—	—	—	—	—
—	—	—	—	—	—
11,727	—	32,851	—	129	7,173
—	—	—	—	750	—
—	51,567	—	—	—	—
—	—	—	—	—	2,824
3,247	7,837	—	—	—	15,715
4,746	1,352	—	—	—	—
1,253	7,821	—	—	—	5,661
3,494	2,013	—	—	—	—
636	4,878	—	—	—	—
331	—	—	408	—	—
795	121	13,112	1,623	—	4,358
12,209	—	—	—	—	—
—	—	17,296	—	—	—
7,038	10,294	828	858	23,256	21,274
51,696	145,764	15,432	88,879	145,416	30,109
\$ 431,793	\$ 567,615	\$ 334,503	\$ 300,297	\$ 394,808	\$ 250,818

(continued)

STATE OF OHIO

COMBINING STATEMENT OF NET ASSETS

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2003

(dollars in thousands)

(continued)

	COLLEGES AND UNIVERSITIES		
	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	9,107	4,541	43,554
Investments.....	37,753	19,168	7,950
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	1,498	5,186
Loans Receivable, Net.....	1,867	494	2,960
Receivable from Primary Government.....	160	1,115	2,593
Other Receivables.....	11,742	7,479	10,906
Inventories.....	216	1,774	748
Other Assets.....	1,243	711	13,592
TOTAL CURRENT ASSETS.....	62,088	36,780	87,489
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	—	3,326
Investments.....	43,110	7,298	43
Collateral on Lent Securities.....	—	—	—
Investments.....	15,323	12,539	49,808
Loans Receivable, Net.....	9,978	2,598	14,801
Other Receivables.....	—	2,019	—
Other Assets.....	759	194	2,793
Capital Assets Being Depreciated, Net.....	198,836	128,605	220,376
Capital Assets Not Being Depreciated.....	59,462	14,256	4,784
TOTAL NONCURRENT ASSETS.....	327,468	167,509	295,931
TOTAL ASSETS.....	389,556	204,289	383,420
CURRENT LIABILITIES:			
Accounts Payable.....	2,759	1,398	16,696
Accrued Liabilities.....	4,532	6,715	7,117
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Deferred Revenue.....	6,969	6,794	32,359
Refund and Other Liabilities.....	5,933	2,797	8,574
Bonds and Notes Payable.....	930	760	1,608
TOTAL CURRENT LIABILITIES.....	21,123	18,464	66,354
NONCURRENT LIABILITIES:			
Deferred Revenue.....	—	—	—
Refund and Other Liabilities.....	18,560	8,403	9,055
Bonds and Notes Payable.....	52,240	13,429	15,329
TOTAL NONCURRENT LIABILITIES.....	70,800	21,832	24,384
TOTAL LIABILITIES.....	91,923	40,296	90,738
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	245,317	128,792	209,915
Restricted for:			
Federal Programs.....	—	—	—
Intergovernmental and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	1,004
Research.....	—	—	357
Endowments and Quasi-Endowments.....	1,106	4,399	—
Loans, Grants and Other College and University Purposes.....	—	619	3
Expendable:			
Scholarships and Fellowships.....	—	2,458	693
Research.....	—	231	2,110
Instructional Department Uses.....	—	2,026	500
Student and Public Services.....	—	1,562	—
Academic Support.....	—	—	14
Debt Service.....	—	66	273
Capital Purposes.....	794	6,068	—
Endowments and Quasi-Endowments.....	175	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	13,076	63	16,436
Unrestricted.....	37,165	17,709	61,377
TOTAL NET ASSETS.....	\$ 297,633	\$ 163,993	\$ 292,682

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL COLLEGE OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
13,688	8,917	1,723	2,506	10,144	2,685
5,051	—	—	1,753	56,478	2,835
—	—	—	—	—	—
—	—	—	275	—	587
58	43	5,209	5	—	35
82	159	—	37	2,584	53
2,608	4,725	39,431	1,403	5,121	1,855
49	46	5,524	238	1,606	190
167	295	759	82	206	363
21,703	14,185	52,646	6,299	76,139	8,603
—	—	—	—	—	—
9	977	209	—	2,456	—
180	—	2,176	—	—	—
—	—	—	—	—	—
—	—	50,038	—	—	—
—	—	—	—	—	—
—	—	—	27	—	—
72	—	—	—	—	—
52,726	53,283	148,308	18,199	78,008	22,242
14,364	1,048	8,751	302	28,498	1,220
67,351	55,308	209,482	18,528	108,962	23,462
89,054	69,493	262,128	24,827	185,101	32,065
—	—	—	—	—	—
577	2,926	12,075	302	2,584	580
2,834	1,329	21,353	424	631	427
—	—	—	—	—	—
—	—	—	—	—	—
422	3,043	1,893	245	10,309	660
217	1,347	3,415	288	3,647	756
310	153	—	—	810	—
4,360	8,798	38,736	1,259	17,981	2,423
—	—	—	—	—	—
1,285	537	9,468	422	2,909	—
2,600	2,499	—	—	10,535	—
3,885	3,036	9,468	422	13,444	—
8,245	11,834	48,204	1,681	31,425	2,423
64,180	51,628	148,222	18,466	93,860	23,462
—	—	—	—	—	—
—	—	—	—	—	—
—	—	650	—	—	—
—	—	—	—	—	—
—	1,850	—	—	2,986	474
—	—	4,266	—	—	—
—	—	3,736	—	183	—
—	—	—	—	—	—
—	—	—	5	—	40
—	—	—	58	—	115
—	—	—	2	—	—
596	714	—	—	—	—
—	—	—	1,004	4,839	1,412
—	—	—	—	—	—
—	—	—	—	—	—
113	—	6,556	—	—	227
15,920	3,467	50,494	3,611	51,808	3,912
\$ 80,809	\$ 57,659	\$ 213,924	\$ 23,146	\$ 153,676	\$ 29,642

(continued)

STATE OF OHIO

COMBINING STATEMENT OF NET ASSETS

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2003

(dollars in thousands)

(continued)

	COLLEGES AND UNIVERSITIES		
	EDISON STATE COMMUNITY COLLEGE	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	933	61	1,182
Investments.....	964	2,208	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	475	—	—
Loans Receivable, Net.....	—	4	—
Receivable from Primary Government.....	—	23	956
Other Receivables.....	2,221	1,187	1,664
Inventories.....	211	186	115
Other Assets.....	86	20	11
TOTAL CURRENT ASSETS.....	4,890	3,689	3,928
NONCURRENT ASSETS:			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	250	107
Collateral on Lent Securities.....	—	—	—
Investments.....	766	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	74	—
Capital Assets Being Depreciated, Net.....	11,358	13,107	16,635
Capital Assets Not Being Depreciated.....	689	767	980
TOTAL NONCURRENT ASSETS.....	12,813	14,198	17,722
TOTAL ASSETS.....	17,703	17,887	21,650
CURRENT LIABILITIES:			
Accounts Payable.....	114	68	180
Accrued Liabilities.....	357	396	735
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Deferred Revenue.....	2,105	439	901
Refund and Other Liabilities.....	282	81	48
Bonds and Notes Payable.....	69	—	—
TOTAL CURRENT LIABILITIES.....	2,927	984	1,864
NONCURRENT LIABILITIES:			
Deferred Revenue.....	—	—	1
Refund and Other Liabilities.....	134	295	271
Bonds and Notes Payable.....	605	—	—
TOTAL NONCURRENT LIABILITIES.....	739	295	272
TOTAL LIABILITIES.....	3,666	1,279	2,136
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt.....	11,373	13,705	17,615
Restricted for:			
Federal Programs.....	—	—	—
Intergovernmental and Capital Purposes.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	142	107
Research.....	—	—	—
Endowments and Quasi-Endowments.....	89	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	360	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	489
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	914	812	5
Unrestricted.....	1,661	1,589	1,298
TOTAL NET ASSETS.....	\$ 14,037	\$ 16,608	\$ 19,514

COLLEGES AND UNIVERSITIES

CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL COLLEGES AND UNIVERSITIES	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ 20,830
2,947	4,529	21,115	408,489	408,489
2,622	—	33	611,268	611,268
—	—	—	—	6,990
1,078	706	1,416	24,592	24,592
—	—	108	20,899	20,899
2	—	53	17,661	18,560
2,786	529	14,226	223,779	223,816
16	195	970	23,857	23,857
208	5	952	49,422	49,429
9,659	5,964	38,873	1,379,967	1,408,730
—	—	—	—	16,351
38,232	42	—	60,237	60,237
2,712	—	—	193,130	193,130
—	—	—	—	5,485
—	—	—	349,070	349,070
—	—	731	92,946	92,946
317	85	—	8,465	8,465
540	—	—	11,721	11,721
39,269	13,736	48,183	3,005,004	3,056,181
15,056	641	5,160	442,183	454,041
96,126	14,504	54,074	4,162,756	4,247,627
105,785	20,468	92,947	5,542,723	5,656,357
1,595	86	1,314	104,868	113,725
1,029	2	2,589	143,006	143,236
—	—	—	—	12,475
—	—	—	388	388
2,312	456	12,441	201,841	201,841
3,583	486	894	85,002	85,057
—	—	—	58,775	58,775
8,519	1,030	17,238	593,880	615,497
—	—	—	1,698	1,698
—	161	2,029	159,615	160,168
49,173	—	—	1,003,323	1,003,323
49,173	161	2,029	1,164,636	1,165,189
57,692	1,191	19,267	1,758,516	1,780,686
44,848	14,270	53,343	2,662,059	2,725,094
—	—	—	—	36
—	—	—	—	16,351
—	—	—	53,783	53,783
—	—	—	1,107	1,107
—	—	—	62,471	62,471
—	—	—	7,712	7,712
—	6	—	34,235	34,235
—	—	—	8,439	8,439
—	—	—	17,306	17,306
134	—	—	7,376	7,376
—	—	—	5,530	5,530
—	—	—	2,388	2,388
—	245	—	34,860	34,860
—	—	—	12,384	12,384
—	—	—	17,296	17,296
325	—	107	102,182	102,182
2,786	4,756	20,230	755,079	767,121
\$ 48,093	\$ 19,277	\$ 73,680	\$ 3,784,207	\$ 3,875,671

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	GOVERNMENTAL		
	ARTS AND SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION	TOTAL GOVERNMENTAL
EXPENSES:			
Primary, Secondary and Other Education.....	\$ 2,835	\$ 53,583	\$ 56,418
Community and Economic Development.....	2,445	—	2,445
Intergovernmental	46,853	—	46,853
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Services.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	—
Depreciation.....	1,339	608	1,947
Other.....	—	—	—
TOTAL EXPENSES.....	53,472	54,191	107,663
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	332	4,257	4,589
Operating Grants, Contributions and Restricted Investment Income.....	492	8,110	8,602
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
TOTAL PROGRAM REVENUES.....	824	12,367	13,191
NET PROGRAM (EXPENSE) REVENUE	(52,648)	(41,824)	(94,472)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	—	—
State Assistance.....	20,201	41,881	62,082
Other.....	—	—	—
TOTAL GENERAL REVENUES.....	20,201	41,881	62,082
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	—	—
SPECIAL ITEMS.....	—	—	—
CHANGE IN NET ASSETS.....	(32,447)	57	(32,390)
NET ASSETS, JULY 1 (as restated).....	110,788	13,066	123,854
NET ASSETS, JUNE 30.....	\$ 78,341	\$ 13,123	\$ 91,464

COLLEGES AND UNIVERSITIES

OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
170,495	131,986	107,925	98,632	150,220	113,045
26,389	6,970	16,677	5,472	14,566	14,386
16,206	2,049	12,260	9,381	14,601	4,945
36,423	27,232	25,005	25,052	33,964	28,451
23,563	20,543	11,417	24,079	26,380	18,983
38,249	31,985	39,442	27,263	28,549	23,973
36,665	23,975	20,927	17,164	27,216	14,422
2,897	10,455	15,950	13,587	13,521	12,370
60,708	83,700	32,455	59,316	64,898	48,623
10,004	—	—	—	—	—
5,220	2,501	6,584	4,296	10,590	6,729
24,217	23,825	28,415	17,034	26,904	15,445
768	4,419	306	6,942	452	2,608
451,804	369,640	317,363	308,218	411,861	303,980
274,438	253,908	151,730	200,718	284,141	168,918
22,949	37,068	54,109	13,416	—	37,772
13,173	210	2,915	—	—	1,900
310,560	291,186	208,754	214,134	284,141	208,590
(141,244)	(78,454)	(108,609)	(94,084)	(127,720)	(95,390)
6,404	5,270	—	3,128	23,633	1,631
154,630	96,733	111,176	91,283	131,631	103,785
4,486	—	2,636	2,845	12,480	617
165,520	102,003	113,812	97,256	167,744	106,033
16	—	938	—	—	2
7,050	10,417	—	—	—	4,263
31,342	33,966	6,141	3,172	40,024	14,908
400,451	533,649	328,362	297,125	354,784	235,910
\$ 431,793	\$ 567,615	\$ 334,503	\$ 300,297	\$ 394,808	\$ 250,818

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	COLLEGES AND UNIVERSITIES		
	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental	—	—	—
Education and General:			
Instruction and Departmental Research.....	77,629	55,409	89,859
Separately Budgeted Research.....	13,494	1,175	21,573
Public Service.....	7,843	7,834	10,238
Academic Support.....	15,459	9,564	51,574
Student Services.....	16,051	8,163	11,930
Institutional Support.....	22,116	19,666	20,432
Operation and Maintenance of Plant.....	16,886	9,064	16,140
Scholarships and Fellowships.....	11,004	11,717	10,267
Auxiliary Services.....	13,082	19,224	20,228
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	686	713	637
Depreciation.....	15,167	7,485	13,963
Other.....	—	1,449	582
TOTAL EXPENSES.....	209,417	151,463	267,423
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	101,179	69,857	104,280
Operating Grants, Contributions and Restricted Investment Income.....	16,414	12,139	70,095
Capital Grants, Contributions and Restricted Investment Income.....	526	24,536	1,455
TOTAL PROGRAM REVENUES.....	118,119	106,532	175,830
NET PROGRAM (EXPENSE) REVENUE	(91,298)	(44,931)	(91,593)
GENERAL REVENUES:			
Unrestricted Investment Income.....	3,019	901	2,959
State Assistance.....	86,812	51,543	98,783
Other.....	10,623	87	156
TOTAL GENERAL REVENUES.....	100,454	52,531	101,898
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	36	—
SPECIAL ITEMS.....	2,217	1,811	—
CHANGE IN NET ASSETS.....	11,373	9,447	10,305
NET ASSETS, JULY 1 (as restated).....	286,260	154,546	282,377
NET ASSETS, JUNE 30.....	\$ 297,633	\$ 163,993	\$ 292,682

COLLEGES AND UNIVERSITIES

SHAWNEE STATE UNIVERSITY	CENTRAL STATE UNIVERSITY	MEDICAL COLLEGE OF OHIO	TERRA STATE COMMUNITY COLLEGE	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
12,461	7,326	45,915	5,304	48,154	5,342
—	1,247	17,237	—	—	—
3,224	8,390	1,115	2,175	1,877	2,508
2,277	4,413	2,868	498	3,624	584
2,982	3,417	1,379	1,068	9,083	1,771
4,745	7,325	8,142	2,600	15,916	3,682
2,179	4,243	8,998	1,219	11,216	1,760
8,292	1,747	1,054	150	6,874	1,211
3,835	5,893	3,008	935	9,542	2,765
—	—	159,441	—	—	—
208	152	377	3	607	1
1,777	2,829	18,466	1,135	3,275	1,194
149	—	61	109	—	—
42,129	46,982	268,061	15,196	110,168	20,818
16,561	7,020	202,906	5,399	67,920	8,008
12,845	19,028	26,459	3,431	—	5,012
—	—	5,551	41	27	65
29,406	26,048	234,916	8,871	67,947	13,085
(12,723)	(20,934)	(33,145)	(6,325)	(42,221)	(7,733)
226	144	3,467	58	1,066	135
13,849	19,254	39,539	6,754	45,039	7,400
—	—	—	—	—	18
14,075	19,398	43,006	6,812	46,105	7,553
—	—	—	—	—	—
—	—	2,919	—	—	—
1,352	(1,536)	12,780	487	3,884	(180)
79,457	59,195	201,144	22,659	149,792	29,822
\$ 80,809	\$ 57,659	\$ 213,924	\$ 23,146	\$ 153,676	\$ 29,642

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

(continued)

	COLLEGES AND UNIVERSITIES		
	EDISON STATE COMMUNITY COLLEGE	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE
EXPENSES:			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Intergovernmental	—	—	—
Education and General:			
Instruction and Departmental Research.....	6,269	4,811	5,434
Separately Budgeted Research.....	—	—	—
Public Service.....	919	1,257	—
Academic Support.....	332	1,309	2,134
Student Services.....	1,609	1,020	1,418
Institutional Support.....	2,947	1,147	3,594
Operation and Maintenance of Plant.....	1,246	1,208	1,030
Scholarships and Fellowships.....	437	2,487	728
Auxiliary Services.....	855	2,289	1,151
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	44	—	—
Depreciation.....	929	557	672
Other.....	—	—	—
TOTAL EXPENSES.....	15,587	16,085	16,161
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures.....	8,285	6,206	4,901
Operating Grants, Contributions and Restricted Investment Income.....	—	5,485	4,496
Capital Grants, Contributions and Restricted Investment Income.....	308	—	—
TOTAL PROGRAM REVENUES.....	8,593	11,691	9,397
NET PROGRAM (EXPENSE) REVENUE	(6,994)	(4,394)	(6,764)
GENERAL REVENUES:			
Unrestricted Investment Income.....	—	6	4
State Assistance.....	6,022	4,587	7,581
Other.....	—	—	—
TOTAL GENERAL REVENUES.....	6,022	4,593	7,585
CONTRIBUTIONS TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....	—	25	—
SPECIAL ITEMS.....	—	—	—
CHANGE IN NET ASSETS.....	(972)	224	821
NET ASSETS, JULY 1 (as restated).....	15,009	16,384	18,693
NET ASSETS, JUNE 30.....	\$ 14,037	\$ 16,608	\$ 19,514

COLLEGES AND UNIVERSITIES				
CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL COLLEGES AND UNIVERSITIES	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ 56,418
—	—	—	—	2,445
—	—	—	—	46,853
21,878	6,274	32,700	1,197,068	1,197,068
—	—	185	139,371	139,371
2,718	702	2,743	112,985	112,985
3,549	588	4,026	278,926	278,926
4,311	1,171	5,516	195,854	195,854
11,547	2,688	9,821	325,829	325,829
3,982	936	8,095	228,571	228,571
1,123	854	6,695	133,420	133,420
1,337	1,622	6,420	441,886	441,886
—	—	—	169,445	169,445
—	7	—	39,355	39,355
3,781	805	3,040	210,915	212,862
—	—	—	17,845	17,845
54,226	15,647	79,241	3,491,470	3,599,133
27,529	6,531	25,030	1,995,465	2,000,054
—	3,460	16,436	360,614	369,216
80	12	16	50,815	50,815
27,609	10,003	41,482	2,406,894	2,420,085
(26,617)	(5,644)	(37,759)	(1,084,576)	(1,179,048)
75	102	409	52,637	52,637
21,967	6,081	41,550	1,145,999	1,208,081
—	—	—	33,948	33,948
22,042	6,183	41,959	1,232,584	1,294,666
—	—	—	1,017	1,017
—	(156)	—	28,521	28,521
(4,575)	383	4,200	177,546	145,156
52,668	18,894	69,480	3,606,661	3,730,515
\$ 48,093	\$ 19,277	\$ 73,680	\$ 3,784,207	\$ 3,875,671

STATE OF OHIO
COMBINING BALANCE SHEET
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS
JUNE 30, 2003
(dollars in thousands)

	GOVERNMENTAL		
	MAJOR	NONMAJOR	
	SCHOOL FACILITIES COMMISSION	ARTS & SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION
ASSETS:			
Cash Equity with Treasurer	\$ 310,326	\$ 25,251	\$ 11,930
Collateral on Lent Securities.	103,846	8,471	4,004
Intergovernmental Receivable	18,264	—	—
Receivable from Primary Government	—	—	387
Other Receivables	365	28	9
Other Assets.	26	4	3
TOTAL ASSETS	\$ 432,827	\$ 33,754	\$ 16,333
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable.	\$ 6,773	\$ 8,605	\$ 252
Accrued Liabilities.	161	30	200
Obligations Under Securities Lending	103,846	8,471	4,004
Intergovernmental Payable.	2,133,542	—	—
Deferred Revenue	16,346	6	2
TOTAL LIABILITIES	2,260,668	17,112	4,458
FUND BALANCES:			
Reserved for:			
Encumbrances	60,736	9,176	20,191
Federal Programs	—	—	36
Other:			
Prepays	26	4	3
Primary, Secondary and Other Education	10,420	—	—
Unreserved/Designated for Compensated Absences.	31	5	—
Unreserved/Undesignated (Deficits).	(1,899,054)	7,457	(8,355)
TOTAL FUND BALANCES (DEFICITS)	(1,827,841)	16,642	11,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 432,827	\$ 33,754	\$ 16,333

**TOTAL
NONMAJOR
GOVERNMENTAL**

\$	37,181
	12,475
	—
	387
	37
	7
\$	<u>50,087</u>

\$	8,857
	230
	12,475
	—
	8
	<u>21,570</u>

	29,367
	36
	7
	—
	5
	(898)
	<u>28,517</u>
\$	<u>50,087</u>

STATE OF OHIO

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS JUNE 30, 2003

(dollars in thousands)

	GOVERNMENTAL		
	MAJOR	NONMAJOR	
	SCHOOL FACILITIES COMMISSION	ARTS & SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION
Total Fund Balances	\$ (1,827,841)	\$ 16,642	\$ 11,875
Total net assets reported for governmental activities in the Combining Statement of Net Assets is different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:			
Land.....	—	11,858	—
Buildings, net of \$10,379 accumulated depreciation.....	—	49,893	—
Machinery and Equipment, net of \$1,587 accumulated depreciation.....	25	—	1,284
	<u>25</u>	<u>61,751</u>	<u>1,284</u>
Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.			
Other Receivables.....	16,346	6	2
Receivable from Primary Government.....	—	7	505
	<u>16,346</u>	<u>13</u>	<u>507</u>
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Refund and Other Liabilities-Compensated Absences.....	(411)	(65)	(543)
Total Net Assets	\$ (1,811,881)	\$ 78,341	\$ 13,123

**TOTAL
NONMAJOR
GOVERNMENTAL**

\$ 28,517

11,858

49,893

1,284

63,035

8

512

520

(608)

\$ 91,464

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	GOVERNMENTAL		
	MAJOR	NONMAJOR	
	SCHOOL FACILITIES COMMISSION	ARTS & SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION
REVENUES:			
State Assistance	\$ 460,804	\$ 20,200	\$ 41,879
Sales, Services and Charges	11	19	—
Federal Government	6,610	—	7,907
Investment Income	11,930	572	206
Other	6	311	5,508
TOTAL REVENUES	479,361	21,102	55,500
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	28,348	4,173	53,799
Community and Economic Development	—	1,091	—
INTERGOVERNMENTAL	1,412,577	46,919	—
TOTAL EXPENDITURES	1,440,925	52,183	53,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(961,564)	(31,081)	1,701
OTHER FINANCING SOURCES (USES):			
Transfers-in	4,867	922	—
Transfers-out	(4,867)	(922)	—
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—
NET CHANGE IN FUND BALANCES	(961,564)	(31,081)	1,701
FUND BALANCES (DEFICITS), JULY 1	(866,277)	47,723	10,174
FUND BALANCES (DEFICITS), JUNE 30	\$ (1,827,841)	\$ 16,642	\$ 11,875

**TOTAL
NONMAJOR
GOVERNMENTAL**

\$	62,079
	19
	7,907
	778
	<u>5,819</u>
	<u>76,602</u>

	57,972
	1,091
	<u>46,919</u>
	<u>105,982</u>

	<u>(29,380)</u>
--	------------------------

	922
	<u>(922)</u>
	<u>—</u>

	<u>(29,380)</u>
--	------------------------

	<u>57,897</u>
--	---------------

\$	<u>28,517</u>
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STATE OF OHIO

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	GOVERNMENTAL		
	MAJOR	NONMAJOR	
	SCHOOL FACILITIES COMMISSION	ARTS & SPORTS FACILITIES COMMISSION	SCHOOLNET COMMISSION
Net Change in Fund Balances.....	\$ (961,564)	\$ (31,081)	\$ 1,701
The change in net assets reported for governmental activities in the Combining Statement of Activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the Combining Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital Outlay Expenditures.....	—	—	89
Depreciation Expense.....	(15)	(1,339)	(495)
Excess of Capital Outlay Over Depreciation Expense.....	(15)	(1,339)	(406)
Revenues in the Combining Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	16,157	(11)	(1,250)
Expenses for compensated absences reported in the Combining Statement of Activities are not reported as expenditures in the governmental funds.	—	(16)	12
Change in Net Assets	\$ (945,422)	\$ (32,447)	\$ 57

**TOTAL
NONMAJOR
GOVERNMENTAL**

\$ (29,380)

89

(1,834)

(1,745)

(1,261)

(4)

\$ (32,390)

STATE OF OHIO
COMBINING BALANCE SHEET
SCHOOL FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2003
(dollars in thousands)

SPECIAL REVENUE FUND			
	ADMINISTRATION	SCHOOL BUILDING ASSISTANCE PROGRAM	PUBLIC SCHOOL BUILDING PROGRAM
ASSETS:			
Cash Equity with Treasurer	\$ 1,863	\$ 48,719	\$ 157,987
Collateral on Lent Securities	620	16,155	52,958
Intergovernmental Receivable	—	—	—
Other Receivables	2	70	178
Other Assets	26	—	—
TOTAL ASSETS	\$ 2,511	\$ 64,944	\$ 211,123
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 162	\$ 2,862	\$ 2,246
Accrued Liabilities	161	—	—
Obligations Under Securities Lending	620	16,155	52,958
Intergovernmental Payable	—	2,034,793	50,790
Deferred Revenue	—	15	38
TOTAL LIABILITIES	943	2,053,825	106,032
FUND BALANCES:			
Reserved for:			
Encumbrances	279	5,395	27,138
Other:			
Prepays	26	—	—
Primary, Secondary and Other Education	—	—	10,420
Unreserved/Designated for Compensated Absences.	31	—	—
Unreserved/Undesignated (Deficits)	1,232	(1,994,276)	67,533
TOTAL FUND BALANCES (DEFICITS)	1,568	(1,988,881)	105,091
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 2,511	\$ 64,944	\$ 211,123

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 101,757	\$ —	\$ 310,326
34,113	—	103,846
—	18,264	18,264
115	—	365
—	—	26
<u>\$ 135,985</u>	<u>\$ 18,264</u>	<u>\$ 432,827</u>

\$ 1,498	\$ 5	\$ 6,773
—	—	161
34,113	—	103,846
29,701	18,258	2,133,542
25	16,268	16,346
<u>65,337</u>	<u>34,531</u>	<u>2,260,668</u>

27,924	—	60,736
—	—	26
—	—	10,420
—	—	31
<u>42,724</u>	<u>(16,267)</u>	<u>(1,899,054)</u>
<u>70,648</u>	<u>(16,267)</u>	<u>(1,827,841)</u>
<u>\$ 135,985</u>	<u>\$ 18,264</u>	<u>\$ 432,827</u>

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SCHOOL FACILITIES COMMISSION DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	SPECIAL REVENUE FUND		
	ADMINISTRATION	SCHOOL BUILDING ASSISTANCE PROGRAM	PUBLIC SCHOOL BUILDING PROGRAM
REVENUES:			
State Assistance	\$ —	\$ 450,000	\$ —
Sales, Services and Charges	11	—	—
Federal Government	—	—	—
Investment Income	122	5,044	4,055
Other	3	—	3
TOTAL REVENUES	136	455,044	4,058
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	5,471	—	—
INTERGOVERNMENTAL	—	1,335,329	47,547
TOTAL EXPENDITURES	5,471	1,335,329	47,547
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,335)	(880,285)	(43,489)
OTHER FINANCING SOURCES (USES):			
Transfers-in	4,867	—	—
Transfers-out	—	—	(4,867)
TOTAL OTHER FINANCING SOURCES (USES)	4,867	—	(4,867)
NET CHANGES IN FUND BALANCES	(468)	(880,285)	(48,356)
FUND BALANCES (DEFICITS), JULY 1 (as restated)	2,036	(1,108,596)	153,447
FUND BALANCES (DEFICITS), JUNE 30	\$ 1,568	\$ (1,988,881)	\$ 105,091

<u>EDUCATION FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>TOTAL</u>
\$ 10,804	\$ —	\$ 460,804
—	—	11
—	6,610	6,610
2,709	—	11,930
—	—	6
<u>13,513</u>	<u>6,610</u>	<u>479,361</u>
—	22,877	28,348
29,701	—	1,412,577
<u>29,701</u>	<u>22,877</u>	<u>1,440,925</u>
<u>(16,188)</u>	<u>(16,267)</u>	<u>(961,564)</u>
—	—	4,867
—	—	(4,867)
—	—	—
<u>(16,188)</u>	<u>(16,267)</u>	<u>(961,564)</u>
86,836	—	(866,277)
<u>\$ 70,648</u>	<u>\$ (16,267)</u>	<u>\$ (1,827,841)</u>

STATE OF OHIO
COMBINING BALANCE SHEET
ARTS AND SPORTS FACILITIES COMMISSION
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT
JUNE 30, 2003
(dollars in thousands)

	SPECIAL REVENUE FUND		
	ADMINISTRATION	ARTS FACILITIES IMPROVEMENTS	SPORTS FACILITIES IMPROVEMENTS
ASSETS:			
Cash Equity with Treasurer	\$ 308	\$ 22,399	\$ 2,521
Collateral on Lent Securities	102	7,516	846
Other Receivables	—	25	3
Other Assets	4	—	—
TOTAL ASSETS	\$ 414	\$ 29,940	\$ 3,370
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 8	\$ 6,837	\$ 1,760
Accrued Liabilities	30	—	—
Obligations Under Securities Lending	102	7,516	846
Deferred Revenue	—	5	1
TOTAL LIABILITIES	140	14,358	2,607
FUND BALANCES:			
Reserved for:			
Encumbrances	19	8,500	648
Other:			
Prepays	4	—	—
Unreserved/Designated for Compensated Absences.	5	—	—
Unreserved/Undesignated	246	7,082	115
TOTAL FUND BALANCES	274	15,582	763
TOTAL LIABILITIES AND FUND BALANCES ...	\$ 414	\$ 29,940	\$ 3,370

<u>CAPITAL DONATIONS</u>	<u>TOTAL</u>
\$ 23	\$ 25,251
7	8,471
—	28
—	4
<u>\$ 30</u>	<u>\$ 33,754</u>

\$ —	\$ 8,605
—	30
7	8,471
—	6
<u>7</u>	<u>17,112</u>

9	9,176
—	4
—	5
<u>14</u>	<u>7,457</u>
<u>23</u>	<u>16,642</u>
<u>\$ 30</u>	<u>\$ 33,754</u>

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ARTS AND SPORTS FACILITIES COMMISSION

DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(dollars in thousands)

	SPECIAL REVENUE FUND		
	ADMINISTRATION	ARTS FACILITIES IMPROVEMENTS	SPORTS FACILITIES IMPROVEMENTS
REVENUES:			
State Assistance	\$ 200	\$ 20,000	\$ —
Sales, Services and Charges	19	—	—
Investment Income	25	542	—
Other	4	—	—
TOTAL REVENUES	248	20,542	—
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	—	4,173	—
Community and Economic Development	1,091	—	—
INTERGOVERNMENTAL	—	24,098	21,975
TOTAL EXPENDITURES	1,091	28,271	21,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(843)	(7,729)	(21,975)
OTHER FINANCING SOURCES (USES):			
Transfers-in	922	—	—
Transfers-out	—	(819)	(103)
TOTAL OTHER FINANCING SOURCES (USES)	922	(819)	(103)
NET CHANGE IN FUND BALANCES	79	(8,548)	(22,078)
FUND BALANCES, JULY 1	195	24,130	22,841
FUND BALANCES, JUNE 30	\$ 274	\$ 15,582	\$ 763

<u>CAPITAL DONATIONS</u>	<u>TOTAL</u>
\$ —	\$ 20,200
—	19
5	572
307	311
<u>312</u>	<u>21,102</u>
—	4,173
—	1,091
846	46,919
<u>846</u>	<u>52,183</u>
<u>(534)</u>	<u>(31,081)</u>
—	922
—	(922)
—	—
<u>(534)</u>	<u>(31,081)</u>
<u>557</u>	<u>47,723</u>
<u>\$ 23</u>	<u>\$ 16,642</u>

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STATISTICAL SECTION

STATE OF OHIO

Table 1

GENERAL GOVERNMENTAL REVENUES^(a) BY SOURCE FOR THE LAST TEN FISCAL YEARS (dollars in thousands)

SOURCE	2003 ^(b)	2002 ^(b)	2001	2000 ^(c)	1999	1998	1997	1996	1995	1994
Income Taxes.....	\$8,210,130	\$ 7,982,461	\$ 8,302,892	\$ 8,098,155	\$ 7,143,344	\$ 6,828,242	\$ 5,879,016	\$ 5,890,587	\$ 5,456,017	\$ 5,032,305
Sales Taxes	6,470,643	6,385,248	6,248,705	6,233,089	5,834,299	5,560,402	5,262,460	5,003,024	4,763,109	4,475,796
Corporate and Public Utility Taxes....	1,682,943	1,640,433	1,726,263	1,697,970	1,817,641	1,969,190	1,897,439	1,831,300	1,810,396	1,585,557
Motor Vehicle Fuel Taxes	1,462,608	1,451,767	1,457,454	1,459,374	1,445,679	1,399,948	1,351,476	1,332,294	1,293,038	1,290,315
Cigarette Taxes.....	599,943	281,292	282,481	287,710	290,566	296,645	298,407	294,463	295,712	287,043
Other Taxes	649,027	614,122	647,857	625,376	626,939	593,906	574,462	548,225	556,454	594,951
Licenses, Permits and Fees ^(d)	1,564,429	1,521,736	1,219,605	1,156,379	1,137,577	1,109,895	1,073,907	805,605	982,507	927,398
Sales, Services and Charges.....	87,628	94,597	83,891	86,981	81,731	76,091	79,051	106,517	103,620	66,198
Federal Government ^{(e) & (f)}	12,970,713	11,734,436	10,433,668	9,321,234	8,697,800	8,349,038	8,454,831	8,435,891	8,305,109	7,314,031
Tobacco Settlement	369,619	368,588	315,812	412,270	—	—	—	—	—	—
Escheat Property.....	84,642	52,628	—	—	—	—	—	—	—	—
Investment Income ^(g)	121,592	282,457	486,817	443,566	554,915	554,523	418,799	—	—	—
Other	526,164	635,812	514,544	481,856	481,748	473,432	436,154	654,457	562,031	744,109
Total Revenues by Source.....	<u>\$34,800,081</u>	<u>\$33,045,577</u>	<u>\$31,719,989</u>	<u>\$30,303,960</u>	<u>\$28,112,239</u>	<u>\$27,211,312</u>	<u>\$25,726,002</u>	<u>\$24,902,363</u>	<u>\$24,127,993</u>	<u>\$22,317,703</u>

Notes:

- (a) This table includes revenues for the General, special revenue, debt service, and capital projects funds.
- (b) For comparative purposes, revenue data for fiscal years 1994 through 2001 have not been restated for the effects of the following, which impacted governmental revenues shown for fiscal year 2002 and thereafter:
- The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
 - Changes in reporting entity resulting from the reclassification of the Arts and Sports Facilities Commission and the SchoolNet Commission from governmental funds to discretely presented component unit funds.
 - The reclassification of the State's previously reported internal service funds to the General Fund.
 - The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund.
- (c) For comparative purposes, the revenue data for fiscal year 2000 have been restated for the reclassification of the School Facilities Commission discretely presented component unit from the Special Revenue Fund.
- (d) For comparative purposes, the "Licenses, Permits, and Fees" revenue for fiscal years 1994 through 1999 have been restated to reflect hospital assessments. Previously, this revenue had been included in "Other" revenue.
- (e) For fiscal years 1995 through 2003, federal government revenue includes the effects of recognizing the distribution of food stamp benefits as revenue, in accordance with the reporting requirements of GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Federal government revenue data for fiscal year 1994, however, has not been restated for the effect of this change in accounting principle.
- (f) For fiscal years 2001 and thereafter, federal government revenue includes the effects of recognizing nonexchange revenue, in accordance with the reporting requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Federal government revenue data for fiscal years 1994 through 2000, however, have not been restated for the effect of this change in accounting principle.
- (g) For fiscal years 1994 through 1996, investment income had been included in "Other" revenue.

STATE OF OHIO

Table 2

GENERAL GOVERNMENTAL EXPENDITURES^(a) BY FUNCTION
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

<i>FUNCTION</i>	2003 ^(b)	2002 ^(b)	2001	2000 ^(c)	1999	1998	1997	1996	1995	1994
<i>Current Operating:</i>										
Primary, Secondary and Other Education..	\$8,451,164	\$8,142,972	\$ 7,194,883	\$ 6,634,181	\$ 6,403,978	\$ 5,927,471	\$ 5,449,086	\$ 5,251,805	\$ 4,850,750	\$ 4,599,643
Higher Education Support ^(d)	2,408,059	2,449,614	506,511	439,137	377,868	354,530	422,482	423,473	407,839	421,041
Public Assistance and Medicaid ^(e)	12,731,148	11,854,582	10,894,942	9,488,379	8,561,652	8,462,208	8,367,021	7,936,578	8,306,686	7,682,159
Health and Human Services.....	2,894,321	2,792,890	2,555,221	2,613,853	2,548,360	2,485,176	2,328,762	2,333,583	2,197,732	1,974,086
Justice and Public Protection	2,348,232	2,378,120	2,232,421	2,167,402	2,035,739	1,870,507	1,761,521	1,588,026	1,403,177	1,202,815
Environmental Protection and Natural Resources	369,119	355,576	340,574	354,180	330,069	315,522	299,607	286,987	273,138	247,324
Transportation	1,942,040	1,897,807	1,756,201	1,680,736	1,497,553	1,494,130	1,465,258	1,319,120	1,461,012	1,426,207
General Government.....	501,966	733,591	468,791	575,576	661,011	625,275	528,592	371,996	355,154	347,443
Community and Economic Development ...	718,088	748,185	541,166	452,516	398,905	391,893	344,950	323,277	335,159	337,760
Intergovernmental ^(d)	3,573,227	3,563,306	3,361,184	3,257,632	2,898,094	2,735,799	2,570,501	2,467,137	2,312,160	2,211,669
Capital Outlay ^(d)	498,066	465,843	411,817	629,753	1,256,271	1,248,346	1,138,286	884,456	872,236	893,279
Debt Service.....	1,251,004	1,193,604	1,137,537	1,053,995	1,024,125	1,022,418	1,033,948	909,134	801,994	1,064,523
Total Expenditures by Function.....	\$37,686,434	\$36,576,090	\$31,401,248	\$29,347,340	\$27,993,625	\$26,933,275	\$25,710,014	\$24,095,572	\$23,577,037	\$22,407,949

Notes:

(a) This table includes expenditures for the General, special revenue, debt service, and capital projects funds.

(b) For comparative purposes, expenditure data for fiscal years 1994 through 2001 have not been restated for the effects of the following, which impacted governmental expenditures shown for fiscal year 2002 and thereafter:

- The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* which includes payments to colleges and universities that were previously accounted for as Transfers to Component Units.
- Changes in reporting entity resulting from the reclassification of the Arts and Sports Facilities Commission and the SchoolNet Commission from governmental funds to discretely presented component unit funds.
- The reclassification of the State's previously reported internal service funds to the General Fund.
- The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund.

(c) For comparative purposes, the expenditure data for fiscal year 2000 have been restated for the reclassification of the School Facilities Commission discretely presented component unit from the Special Revenue Fund.

(d) For comparative purposes, the expenditure data for fiscal year 2000 have been restated for the reclassification of capital outlay expenditures to the higher education support function, the intergovernmental expenditure character, and operating transfers to component units.

(e) For fiscal years 1995 through 2003, expenditures reported under the public assistance and Medicaid function include the effects of recognizing the distribution of food stamp benefits as expenditures, in accordance with the reporting requirements of GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Public assistance and Medicaid expenditure data for fiscal year 1994, however, has not been restated for the effect of this change in accounting principle.

STATE OF OHIO

GOVERNMENT-WIDE REVENUES — PRIMARY GOVERNMENT FOR THE LAST TWO FISCAL YEARS (dollars in thousands)

REVENUES	2003	2002 ^(a)
<i>Program Revenues:</i>		
Charges for Services, Fees, Fines and Forfeitures.....	\$ 7,166,371	\$ 8,048,899
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	13,806,547	11,170,874
Capital Grants, Contributions and Restricted Investment Income/(Loss)	931,453	942,200
Total Program Revenues	21,904,371	20,161,973
<i>General Revenues:</i>		
General Taxes.....	17,633,793	16,911,481
Restricted for Transportation Purposes:		
Motor Vehicle Fuel Taxes	1,462,608	1,451,767
Tobacco Settlement	369,619	368,588
Escheat Property.....	43,173	50,745
Unrestricted Investment Income.....	35,011	72,262
Federal	193,077	346,891
Other	6,624	2,482
Total General Revenues	19,743,905	19,204,216
Total Revenues.....	<u>\$41,648,276</u>	<u>\$39,366,189</u>

Notes:

(a) Revenues have been restated for prior period adjustments, corrections, and reclassifications.

STATE OF OHIO

GOVERNMENT-WIDE EXPENSES — PRIMARY GOVERNMENT FOR THE LAST TWO FISCAL YEARS

(dollars in thousands)

EXPENSES	2003	2002 ^(a)
<i>Governmental Activities:</i>		
Primary, Secondary and Other Education	\$ 8,498,696	\$ 8,141,634
Higher Education Support	2,515,379	2,710,111
Public Assistance and Medicaid	12,683,617	11,953,033
Health and Human Services	2,930,071	2,847,339
Justice and Public Protection	2,435,774	2,451,328
Environmental Protection and Natural Resources	403,445	371,103
Transportation	1,532,040	1,507,932
General Government	486,013	762,725
Community and Economic Development	739,814	766,464
Intergovernmental	3,675,073	3,617,678
Interest on Long -Term Debt (excludes interest charged as program expense)	195,559	203,811
Total Governmental Activities	36,095,481	35,333,158
<i>Business-Type Activities:</i>		
Worker's Compensation	4,088,796	4,565,493
Lottery Commision	1,523,764	1,467,203
Unemployment Compensation	1,838,949	1,660,148
Ohio Building Authority	30,824	33,724
Tuition Trust Authority	388,469	284,960
Liquor Control	354,547	339,294
Underground Parking Garage	2,515	2,336
Office of Auditor of State	84,087	78,302
Total Business-Type Activities	8,311,951	8,431,460
Total Expenses	\$44,407,432	\$43,764,618

Notes:

(a) Expenses have been restated for prior period adjustments, corrections, and reclassifications.

Table 5

STATE OF OHIO
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES FOR THE GENERAL FUND
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
REVENUES:										
Income Taxes.....	\$7,374,239	\$ 7,129,512	\$ 7,446,990	\$ 7,243,856	\$ 6,389,926	\$ 6,107,084	\$ 5,257,395	\$ 5,268,111	\$ 4,879,232	\$ 4,486,225
Sales Taxes.....	6,153,743	6,066,023	5,922,333	5,919,129	5,539,780	5,277,997	4,995,691	4,750,430	4,522,230	4,246,093
Corporate and Public Utility Taxes.....	1,302,968	1,276,159	1,604,402	1,604,604	1,718,482	1,862,497	1,794,592	1,731,956	1,708,674	1,497,948
Cigarette Taxes.....	599,941	281,290	282,481	287,709	290,563	296,627	298,407	294,460	295,694	287,040
Other Taxes.....	595,498	556,946	590,225	573,888	578,993	548,188	529,883	508,452	517,263	556,508
Licenses, Permits and Fees.....	115,199	100,858	101,352	96,954	94,789	96,411	87,511	89,249	81,772	81,761
Sales, Services and Charges.....	44,899	51,211	40,895	45,738	43,586	38,947	42,031	64,693	65,015	35,556
Federal Government.....	5,251,885	4,563,370	4,508,747	3,993,184	3,658,824	3,385,998	3,563,004	3,672,610	3,451,126	3,533,853
Escheat Property.....	84,642	52,628	—	—	—	—	—	—	—	—
Investment Income ^(a)	33,095	145,483	234,590	287,937	399,520	381,574	277,337	—	—	—
Other.....	192,573	273,750	197,029	189,241	183,221	161,077	168,587	302,772	268,114	227,857
TOTAL REVENUES.....	21,748,682	20,497,230	20,929,044	20,242,240	18,897,684	18,156,400	17,014,438	16,682,733	15,789,120	14,952,841
EXPENDITURES:										
Current Operating ^(b)	21,131,783	20,547,608	19,522,704	17,894,051	16,711,404	15,882,598	15,089,141	14,529,694	13,693,490	13,158,815
Intergovernmental.....	1,294,797	1,227,313	1,189,845	1,081,828	1,033,066	982,955	942,690	898,190	814,803	782,014
Capital Outlay.....	—	—	—	24,862	15,607	38,806	123,217	1,969	5,597	5,552
Debt Service.....	2,300	2,286	2,276	2,320	1,794	1,831	528	1,428	9,740	—
TOTAL EXPENDITURES.....	22,428,880	21,777,207	20,714,825	19,003,061	17,761,871	16,906,190	16,155,576	15,431,281	14,523,630	13,946,381
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(680,198)	(1,279,977)	214,219	1,239,179	1,135,813	1,250,210	858,862	1,251,452	1,265,490	1,006,460
OTHER FINANCING SOURCES (USES):										
Bonds Issued.....	470,000	400,000	—	—	—	—	—	10,159	—	—
Bond Premiums.....	—	6,029	—	—	—	—	—	—	—	—
Capital Leases.....	2,692	1,451	—	2,668	1,575	4,737	1,107	335	—	—
Transfers-in.....	630,122	617,185	207,488	142,267	201,151	180,176	142,605	93,457	144,114	88,284
Transfers-out.....	(991,261)	(977,731)	(1,061,119)	(1,302,412)	(1,308,827)	(1,142,014)	(847,794)	(807,457)	(660,799)	(626,006)
TOTAL OTHER FINANCING SOURCES (USES).....	111,553	46,934	(853,631)	(1,157,477)	(1,106,101)	(957,101)	(704,082)	(703,506)	(516,685)	(537,722)
NET CHANGE IN FUND BALANCES.....	(568,645)	(1,233,043)	(639,412)	81,702	29,712	293,109	154,780	547,946	748,805	468,738
FUND BALANCES, JULY 1 (as restated) ^(c).....	762,250	2,108,395	2,521,051	2,640,072	2,611,195	2,319,058	2,167,739	1,656,135	908,212	426,200
Increase (Decrease) for Changes in Inventories.....	(818)	105	(741)	511	(835)	(972)	(2,252)	(889)	(882)	1,265
Residual Equity Transfers-out.....	—	—	—	—	—	—	—	(22,986)	—	—
FUND BALANCES, JUNE 30.....	\$192,787	\$ 875,457	\$ 1,880,898	\$ 2,722,285	\$ 2,640,072	\$ 2,611,195	\$ 2,320,267	\$ 2,180,206	\$ 1,656,135	\$ 896,203

Notes:

(a) For fiscal years 1994 through 1996, investment income had been included in "Other" revenue.

(b) Current expenditures presented for fiscal years 1994 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."

(c) The July 1 fund balance has been restated for fiscal years 1995, 1997, 1998, 2001, 2002, and 2003; however, financial activities reported for the respective prior year have not been restated.

STATE OF OHIO

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL AND SPECIAL BONDED DEBT^(a)
TO TOTAL GENERAL GOVERNMENTAL^(b) REVENUES AND EXPENDITURES
FOR THE LAST TEN FISCAL YEARS
(dollars in thousands)

For the Year Ended June 30,	Total Debt Service Expenditures	Governmental Fund Revenues	Percent	Governmental Fund Expenditures	Percent
2003 ^{(c) (d)}	\$1,179,169	\$34,800,081	3.39%	\$37,686,434	3.13%
2002 ^{(c) (d)}	1,146,235	33,045,577	3.47%	36,576,090	3.13%
2001 ^(c)	1,105,541	31,719,989	3.49%	31,401,248	3.52%
2000 ^{(c) (e)}	1,023,246	30,303,960	3.38%	29,347,340	3.49%
1999 ^(c)	993,260	28,112,239	3.53%	27,993,625	3.55%
1998 ^(c)	1,004,273	27,211,312	3.69%	26,933,275	3.73%
1997 ^(c)	1,014,767	25,726,002	3.95%	25,710,014	3.95%
1996 ^(c)	888,693	24,902,363	3.57%	24,095,572	3.69%
1995 ^(c)	780,482	24,127,993	3.23%	23,577,037	3.31%
1994	1,033,745	22,317,703	4.63%	22,407,949	4.61%

Notes:

- (a) Includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service Fund and Capital Projects Fund:

Debt Service Fund

Coal Research/Development General Obligations

Improvements General Obligations

Highway Improvements General Obligations

Development General Obligations

Highway General Obligations

Public Improvements General Obligations

Vietnam Conflict Compensation General Obligations

Local Infrastructure Improvements General Obligations

State Projects General Obligations

Highway Capital Improvements General Obligations

Higher Education Capital Facilities General Obligations

Common Schools Capital Facilities General Obligations

Conservation Projects General Obligations

Higher Education Facilities Special Obligations

Mental Health Facilities Special Obligations

Parks and Recreation Facilities Special Obligations

School Building Program Special Obligations

Ohio Building Authority Special Obligations

Capital Projects Fund

Mental Health/Mental Retardation Facilities Improvements

Parks and Recreation Improvements

Adult Correctional Building Improvements

Highway Safety Building Improvements

Ohio Parks and Natural Resources

Highway Capital Improvement

- (b) This table includes revenues and expenditures for the General, special revenue, debt service, and capital projects funds.
- (c) Revenue and expenditures for fiscal years 1995 through 2003 include the effects of recognizing the distribution of food stamp benefits as revenues and expenditures, in accordance with the reporting requirements of GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Revenue and expenditure data presented for fiscal year 1994, however, has not been restated for the effect of this change in accounting principle.
- (d) For comparative purposes, revenue and expenditure data for fiscal years 1994 through 2001 have not been restated for the effects of the following, which impacted governmental revenues and expenditures shown for fiscal year 2002 and thereafter:
- The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
 - Changes in reporting entity resulting from the reclassification of the Arts and Sports Facilities Commission and the SchoolNet Commission from governmental funds to discretely presented component unit funds.
 - The reclassification of the State's previously reported internal service funds to the General Fund.
 - The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund.
- (e) For comparative purposes, the revenue and expenditure data for fiscal year 2000 have been restated for the reclassification of the School Facilities Commission discretely presented component unit from the Special Revenue Fund.

STATE OF OHIO

NET GENERAL AND SPECIAL BONDED DEBT^(a) PER CAPITA FOR THE LAST TEN FISCAL YEARS

General and Special Obligation Bonds					
For the Year Ended June 30,	Population (in thousands)	Total Outstanding (in thousands)	Less Amount Reserved for Debt Service (in thousands)	Net Bonded Debt (in thousands)	Net Bonded Debt Per Capita
2003	11,421 ^(b)	\$8,697,456	\$102,055	\$8,595,401	\$753
2002	11,421	8,160,231	94,323	8,065,908	706
2001	11,374	7,778,092	108,591	7,669,501	674
2000	11,353	7,435,330	112,300	7,323,030	645
1999	11,256	7,024,746	118,549	6,906,197	614
1998	11,210	6,399,741	141,230	6,258,511	559
1997	11,186	6,263,433	254,751	6,008,682	537
1996	11,173	5,753,400	386,059	5,367,341	480
1995	11,150	5,538,663	425,553	5,113,110	459
1994	11,102	5,169,302	440,399	4,728,903	426

Notes:

- (a) Includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service Fund and Capital Projects Fund:

Debt Service Fund

Coal Research/Development General Obligations
Improvements General Obligations
Highway Improvements General Obligations
Development General Obligations
Highway General Obligations
Public Improvements General Obligations
Vietnam Conflict Compensation General Obligations
Local Infrastructure Improvements General Obligations
State Projects General Obligations
Highway Capital Improvements General Obligations
Higher Education Capital Facilities General Obligations
Common Schools Capital Facilities General Obligations
Conservation Projects General Obligations

Higher Education Facilities Special Obligations
Mental Health Facilities Special Obligations
Parks and Recreation Facilities Special Obligations
School Building Program Special Obligations
Ohio Building Authority Special Obligations

Capital Projects Fund

Mental Health/Mental Retardation Facilities Improvements
Parks and Recreation Improvements
Adult Correctional Building Improvements
Highway Safety Building Improvements
Ohio Parks and Natural Resources
Highway Capital Improvement

- (b) An estimate for fiscal year 2003 was not available; therefore, population data from the prior year was used.

Source: Population figures were obtained from the Survey of Current Business, U.S. Department of Commerce, Bureau of Economic Analysis

STATE OF OHIO

Table 8

**ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS)
FOR GENERAL OBLIGATION BONDS (EXCLUDING HIGHWAY-RELATED BONDS) AND
SPECIAL OBLIGATION BONDS
FOR THE LAST TEN FISCAL YEARS**
(dollars in thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Debt Service Expenditures	\$ 959,490	\$ 926,142	\$ 918,248	\$ 871,314	\$ 843,207	\$ 771,015	\$ 726,496	\$ 701,007	\$ 658,539	\$ 601,202
General Revenue Fund Revenues and Transfers from the Lottery Enterprise Fund	23,055,920	22,072,703	21,921,276	20,711,678	19,736,608	18,833,028	17,964,425	17,288,649	16,367,015	15,581,042
Calculation of Annual 5% Debt Service Cap	1,152,796	1,103,635	1,096,064	1,035,584	986,830	941,651	898,221	864,432	818,351	779,052
Amount Under the Debt Service Expenditure Cap	193,306	177,493	177,816	164,270	143,623	170,636	171,725	163,425	159,812	177,850
Percentage of Debt Service Expenditures to Total of Revenues and Transfers	4.16%	4.20%	4.19%	4.21%	4.27%	4.09%	4.04%	4.05%	4.02%	3.86%

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source: Debt Section, Ohio Office of Budget and Management

STATE OF OHIO

REVENUE BOND COVERAGE FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

Treasurer of State/Economic Development and Revitalization Project Revenue Bonds

Fiscal Year	Gross Revenue ^(a)	Direct Operating Expenses ^(b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$493,195	\$354,318	\$138,877	\$ 5,415	\$11,898	\$17,313	8.02
2002	470,515	338,926	131,589	5,060	11,074	16,134	8.16
2001	454,268	327,083	127,185	4,740	11,392	16,132	7.88
2000	428,085	310,620	117,465	4,450	11,685	16,135	7.28
1999	397,018	289,853	107,165	4,175	11,952	16,127	6.65
1998	380,791	276,085	104,706	3,790	12,189	15,979	6.55
1997	366,636	270,525	96,111	9,330	6,738	16,068	5.98
1996	350,744	265,820	84,924	14,410	3,851	18,261	4.65
1995	346,979	267,545	79,434	13,500	4,761	18,261	4.35
1994	341,674	267,368	74,306	12,645	5,608	18,253	4.07

Infrastructure Bank Revenue Bonds

Fiscal Year	Gross Revenue ^(c)	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$49,409	—	\$49,409	\$37,965	\$11,653	\$49,618	1.00
2002	27,414	—	27,414	20,690	7,417	28,107	.98
2001	11,454	—	11,454	7,825	3,606	11,431	1.00
2000	10,140	—	10,140	6,320	3,816	10,136	1.00
1999	10,931	—	10,931	6,775	4,001	10,776	1.01

Ohio Building Authority Enterprise Fund

Fiscal Year	Gross Revenue ^(d)	Direct Operating Expenses ^(e)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$27,388	\$29,330	\$(1,942)	\$3,531	\$1,394	\$4,925	N/A
2002	32,488	32,031	457	3,359	1,565	4,924	0.09
2001	31,106	30,598	508	3,194	1,728	4,922	0.10
2000	30,999	33,862	(2,863)	3,039	1,882	4,921	N/A
1999	29,797	29,097	700	2,893	2,029	4,922	0.14
1998	31,018	25,270	5,748	2,736	2,264	5,000	1.15
1997	27,929	26,913	1,016	3,480	1,801	5,281	0.19
1996	28,251	22,473	5,778	2,602	3,279	5,881	0.99
1995	30,638	22,046	8,592	1,878	4,275	6,153	1.40
1994	33,700	25,763	7,937	2,349	3,881	6,230	1.27

Notes:

- (a) Includes only the revenues reported in the Liquor Control Enterprise Fund.
- (b) Includes only the expenses, exclusive of depreciation, reported in the Liquor Control Enterprise Fund.
- (c) Includes only the revenues reported in the Infrastructure Bank Revenue Bonds Debt Service Fund and transfers of federal revenues from the Highway Operating Special Revenue Fund.
- (d) Includes only the revenues reported in the Ohio Building Authority Enterprise Fund.
- (e) Includes only the expenses, exclusive of depreciation, reported in the Ohio Building Authority Enterprise Fund.

(Continued)

Table 9 (Continued)

Ohio Building Authority/Bureau of Workers' Compensation Enterprise Fund							
Calendar/ Fiscal Year ^(f)	Gross Revenue ^(g)	Direct Operating Expenses ^(h)	Net Revenue Available For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2003	\$2,759,594	\$4,070,231	\$(1,310,637)	\$10,000	\$8,175	\$18,175	N/A
2002	1,946,105	4,547,191	(2,601,086)	9,000	8,571	17,571	N/A
2001	2,549,227	4,460,581	(1,911,354)	8,000	8,915	16,915	N/A
2000	4,361,511	3,128,723	1,232,788	7,000	9,209	16,209	76.06
1999	3,625,174	2,462,056	1,163,118	6,000	9,455	15,455	75.26
1998	5,115,778	5,891,409	(775,631)	5,000	9,655	14,655	N/A
1997	4,348,344	2,696,867	1,651,477	4,000	9,807	13,807	119.61
1995	3,365,892	2,264,097	1,101,795	2,000	9,947	11,947	92.23
1994	3,161,387	665,854	2,495,533	2,000	9,947	11,947	208.88

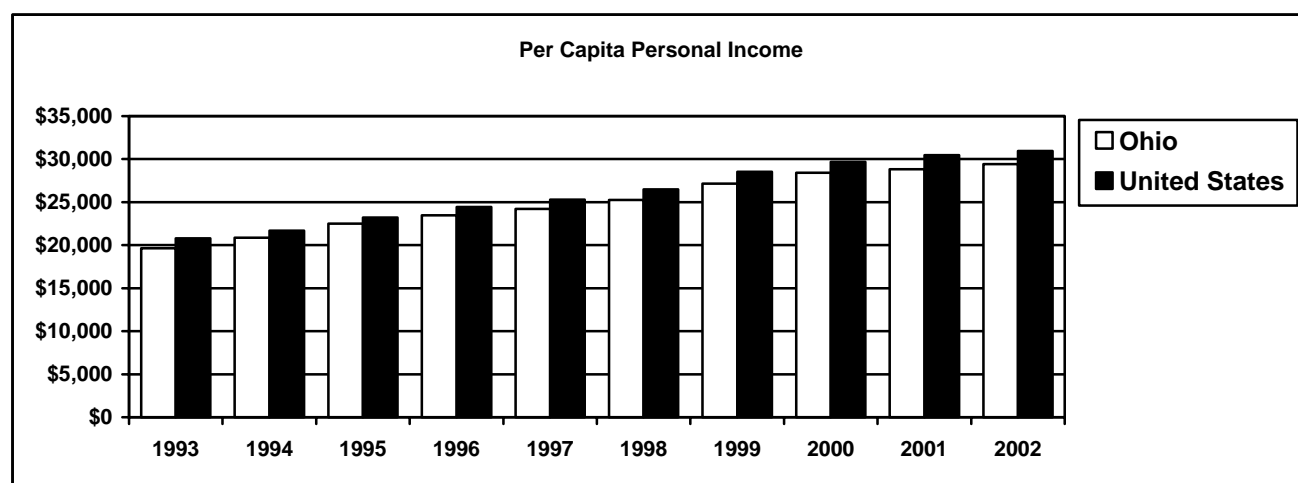
Notes:

- (f) Beginning in fiscal year 1997, the Bureau of Workers' Compensation changed its accounting from calendar year to fiscal year.
- (g) Includes only the revenues reported in the Workers' Compensation Enterprise Fund.
- (h) Includes only the expenses, exclusive of depreciation, reported in the Workers' Compensation Enterprise Fund.

STATE OF OHIO

PERSONAL INCOME OHIO COMPARED TO THE UNITED STATES FOR THE LAST TEN CALENDAR YEARS

Calendar Year	Ohio's Total Personal Income (in millions)	Percent Change	Per Capita Personal Income	
			Ohio	United States
2002	\$334,832	2.2%	\$29,317	\$30,832
2001	327,745	1.6%	28,816	30,472
2000	322,432	5.5%	28,400	29,676
1999	305,643	8.0%	27,152	28,542
1998	282,920	4.5%	25,238	26,482
1997	270,741	3.3%	24,203	25,298
1996	262,077	4.4%	23,457	24,426
1995	251,037	8.3%	22,514	23,208
1994	231,843	6.5%	20,883	21,699
1993	217,693	4.4%	19,627	20,781

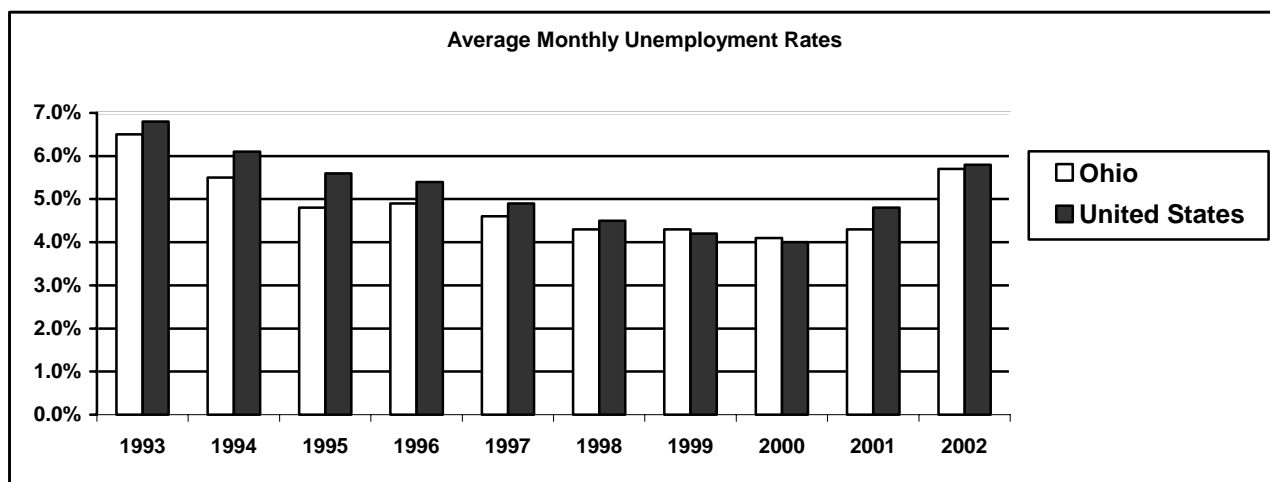


Source: U.S. Department of Commerce, Bureau of Economic Analysis

STATE OF OHIO

AVERAGE MONTHLY UNEMPLOYMENT RATES OHIO COMPARED TO THE UNITED STATES FOR THE LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Ohio</u>	<u>United States</u>
2002	5.7%	5.8%
2001	4.3%	4.8%
2000	4.1%	4.0%
1999	4.3%	4.2%
1998	4.3%	4.5%
1997	4.6%	4.9%
1996	4.9%	5.4%
1995	4.8%	5.6%
1994	5.5%	6.1%
1993	6.5%	6.8%



Source: Ohio Department of Job and Family Services

STATE OF OHIO**LIST OF MAJOR CORPORATIONS WITH HEADQUARTERS IN OHIO**

	<u>Rank</u>		<u>Rank</u>
AK Steel Holding (Middletown)	376	Kroger (Cincinnati)	18
American Electric Power (Columbus)	120	Limited (Columbus)	202
American Financial Group (Cincinnati)	424	NCR (Dayton)	304
Big Lots (Columbus)	413	National City Corporation (Cleveland)	215
Cardinal Health (Dublin)	19	Nationwide Insurance Enterprise (Columbus)	111
Cinergy (Cincinnati)	160	OfficeMax (Shaker Heights)	346
Cooper Tire and Rubber (Findlay)	459	OM Group (Cleveland)	331
Dana Corporation (Toledo)	182	Owens-Corning Corporation (Toledo)	338
Eaton Corporation (Cleveland)	258	Owens-Illinois Incorporated (Toledo)	298
Federated Department Stores (Cincinnati)	122	Parker-Hannifin Corporation (Cleveland)	283
Fifth Third Bancorp (Cincinnati)	278	Procter & Gamble Company (Cincinnati)	31
Firstenergy (Akron)	159	Progressive (Mayfield Village)	197
Goodyear Tire & Rubber (Akron)	139	Roadway (Akron)	476
KeyCorp (Cleveland)	285	Sherwin-Williams Company (Cleveland)	321

STATE OF OHIO

**CONSTRUCTION CONTRACTS AND
RESIDENTIAL BUILDING ACTIVITY
FOR THE LAST TEN CALENDAR YEARS**

Calendar Year	Construction Contracts (in millions)	Residential Building Activity	
		Permits	Valuation (in thousands)
2002	\$18,201 ^(a)	\$51,246	\$6,838,017
2001	18,201	49,931	6,452,250
2000	16,260	49,745	6,153,624
1999	17,100	55,880	6,400,599
1998	15,127	48,034	5,410,012
1997	14,617	46,487	4,795,483
1996	14,021	49,280	5,000,781
1995	12,364	44,812	4,375,036
1994	11,935	47,152	4,799,052
1993	11,037	44,235	4,318,976

Notes:

(a) Data for 2002 was not available; therefore, construction contracts data from the prior year was used.

Sources: Construction Contracts - F. W. Dodge, McGraw-Hill, Inc., New York, NY
Residential Activity - Current Construction Reports, U.S. Bureau of Census

STATE OF OHIO

ASSESSED AND MARKET VALUE OF TAXABLE REAL PROPERTY FOR THE LAST TEN CALENDAR YEARS (dollars in thousands)

Calendar Year	Assessed Value ^(a)	Market Value
2002	\$186,756,854	\$533,591,011
2001	173,975,283	497,072,237
2000	167,857,658	479,593,309
1999	156,600,957	447,431,306
1998	142,864,247	408,183,563
1997	137,544,846	392,985,274
1996	129,853,309	371,009,454
1995	121,046,340	345,846,686
1994	116,576,831	333,076,660
1993	110,319,626	315,198,931

Notes:

(a) Assessed value is 35 percent of market value.

STATE OF OHIO

MISCELLANEOUS STATISTICS AND DATA

STATE AND LOCAL GOVERNMENT:

Form of State Government	Executive, Legislative, Judicial
Number of Counties	88
Number of Incorporated Cities and Villages	943
Number of State Agencies, Boards, Commissions, and Elected Offices	114 ^{a)}
Number of State Employees	60,977
Number of State Representatives	99
Number of State Senators	33

PARKS AND RECREATION:

Number of State Parks	74
Area of State Parks, Natural and Wildlife Lands	309,271.45 acres
Area of State Forest Lands	185,709.39 acres

EDUCATION:

Number of State-Assisted Higher Education Institutions	38
2002-2003 Student Enrollment at State-Assisted Higher Education Institutions	450,470
Number of Public School Districts	612
Number of Joint Vocational School Districts	49

MISCELLANEOUS:

State of Ohio Population	11,421,267
State Capital	Columbus
Date of Statehood	March 1, 1803
State Motto	With God, All Things are Possible
Total Land Acreage	26.4 million acres
Total Farm Acreage	14.9 million acres
Ohio's Three Largest Metropolitan Areas	Cleveland, Cincinnati, Columbus
Largest Source of Federal Financial Support	U.S. Department of Health and Human Services

Notes:

(a) Limited to those entities that have financial activity recorded on the State of Ohio's Central Accounting System.